

S&T BANCORP INC
Form 10-Q
May 01, 2013
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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)

Edgar Filing: S&T BANCORP INC - Form 10-Q

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-1434426
(IRS Employer
Identification No.)

800 Philadelphia Street, Indiana, PA
(Address of principal executive offices)

15701
(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 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 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
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

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 - 29,720,105 shares as of April 22, 2013

Table of Contents

INDEX

S&T BANCORP, INC. AND SUBSIDIARIES

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets – March 31, 2013 and December 31, 2012</u>	3
<u>Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2013 and 2012</u>	4
<u>Consolidated Statements of Changes in Shareholders' Equity – Three Months Ended March 31, 2013 and 2012</u>	5
<u>Consolidated Statements of Cash Flows – Three Months Ended March 31, 2013 and 2012</u>	6
<u>Notes to Consolidated Financial Statements</u>	7-30
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30-44
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	44-45
Item 4. <u>Controls and Procedures</u>	45
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	46
Item 1A. <u>Risk Factors</u>	46
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
Item 3. <u>Defaults Upon Senior Securities</u>	46
Item 4. <u>Mine Safety Disclosures</u>	46
Item 5. <u>Other Information</u>	46
Item 6. <u>Exhibits</u>	46
<u>Signatures</u>	47

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

<i>(in thousands, except share and per share data)</i>	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Cash and due from banks, including interest-bearing deposits of \$215,438 and \$257,116 at March 31, 2013 and December 31, 2012, respectively	\$ 261,124	\$ 337,711
Securities available-for-sale, at fair value	469,418	452,266
Loans held for sale	2,580	22,499
Portfolio loans, net	3,381,982	3,346,622
Allowance for loan losses	(45,936)	(46,484)
Portfolio loans, net	3,336,046	3,300,138
Bank owned life insurance	59,081	58,619
Premises and equipment, net	37,975	38,676
Federal Home Loan Bank and other restricted stock, at cost	13,185	15,315
Goodwill	175,820	175,733
Other intangibles, net	4,919	5,350
Other assets	119,715	120,395
Total Assets	\$ 4,479,863	\$ 4,526,702
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 951,050	\$ 960,980
Interest-bearing demand	304,667	316,760
Money market	326,489	361,233
Savings	993,472	965,571
Certificates of deposit	1,062,886	1,033,884
Total Deposits	3,638,564	3,638,428
Securities sold under repurchase agreements	64,358	62,582
Short-term borrowings	50,000	75,000
Long-term borrowings	23,535	34,101
Junior subordinated debt securities	90,619	90,619
Other liabilities	68,173	88,550
Total Liabilities	3,935,249	3,989,280
SHAREHOLDERS EQUITY		
Common stock (\$2.50 par value)	77,993	77,993
Authorized 50,000,000 shares		
Issued 31,197,365 shares at March 31, 2013 and December 31, 2012		

Edgar Filing: S&T BANCORP INC - Form 10-Q

Outstanding	29,724,721 shares at March 31, 2013 and 29,732,209 shares at December 31, 2012	
Additional paid-in capital	77,541	77,458
Retained earnings	444,115	436,039
Accumulated other comprehensive loss	(14,343)	(13,582)
Treasury stock (1,472,644 shares at March 31, 2013 and 1,465,156 shares at December 31, 2012, at cost)	(40,692)	(40,486)
Total Shareholders Equity	544,614	537,422
Total Liabilities and Shareholders Equity	\$ 4,479,863	\$ 4,526,702

See Notes to Consolidated Financial Statements

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

<i>(in thousands, except per share data)</i>	Three Months Ended March 31,	
	2013	2012
INTEREST INCOME		
Loans, including fees	\$ 35,045	\$ 36,337
Investment securities:		
Taxable	1,863	1,944
Tax-exempt	833	753
Dividends	102	106
Total Interest Income	37,843	39,140
INTEREST EXPENSE		
Deposits	3,202	4,751
Borrowings and junior subordinated debt securities	972	1,068
Total Interest Expense	4,174	5,819
NET INTEREST INCOME		
Provision for loan losses	2,307	9,272
Net interest income after provision for loan losses	31,362	24,049
NONINTEREST INCOME		
Securities gains, net	2	840
Gain on sale of merchant card servicing business	3,093	
Wealth management fees	2,576	2,419
Debit and credit card fees	2,451	2,667
Service charges on deposit accounts	2,448	2,408
Insurance fees	1,775	1,691
Mortgage banking	482	671
Other	1,979	2,373
Total Noninterest Income	14,806	13,069
NONINTEREST EXPENSE		
Salaries and employee benefits	16,067	16,472
Data processing	2,664	3,240
Net occupancy	2,169	1,784
Furniture and equipment	1,308	1,238
Other taxes	999	774
Professional services and legal	974	1,900

Edgar Filing: S&T BANCORP INC - Form 10-Q

FDIC assessment	776	608
Marketing	689	742
Other	5,970	6,025
Total Noninterest Expense	31,616	32,783
Income Before Taxes	14,552	4,335
Provision for income taxes	2,222	855
Net Income Available to Common Shareholders	\$ 12,330	\$ 3,480
Earnings per common share basic	\$ 0.41	\$ 0.12
Earnings per common share diluted	0.41	0.12
Dividends declared per common share	0.15	0.15
Comprehensive Income	\$ 11,569	\$ 3,502

See Notes to Consolidated Financial Statements

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY****(Unaudited)**

<i>(in thousands, except share and per share data)</i>	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
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
Other comprehensive income (loss), net of tax				22		22
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 for restricted awards (70,999 shares, net of 2,480 forfeitures)			(1,465)		1,913	448
Recognition of restricted stock compensation expense		74				74
Tax expense from stock-based compensation		(25)				(25)
Balance at March 31, 2012	\$ 75,968	\$ 65,116	\$ 419,263	\$ (14,086)	\$ (41,843)	\$ 504,418
Balance at January 1, 2013	\$ 77,993	\$ 77,458	\$ 436,039	\$ (13,582)	\$ (40,486)	\$ 537,422
Net income for three months ended March 31, 2013			12,330			12,330
Other comprehensive (loss) income, net of tax				(761)		(761)
Cash dividends declared (\$0.15 per share)			(4,460)			(4,460)
Treasury stock issued for restricted awards (3,989 shares, net of 11,477 forfeitures)			206		(206)	
Recognition of restricted stock compensation expense		118				118
Tax expense from stock-based compensation		(35)				(35)
Balance at March 31, 2013	\$ 77,993	\$ 77,541	\$ 444,115	\$ (14,343)	\$ (40,692)	\$ 544,614

See Notes to Consolidated Financial Statements

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

<i>(in thousands)</i>	Three Months Ended March 31,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$ 12,330	\$ 3,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,307	9,272
Provision for unfunded loan commitments	753	252
Depreciation and amortization	1,590	1,507
Net amortization of discounts and premiums	861	457
Stock-based compensation expense	117	108
Securities gains, net	(2)	(840)
Net gain on sale of merchant card servicing business	(3,093)	
Tax expense from stock-based compensation	35	25
Mortgage loans originated for sale	(17,742)	(19,019)
Proceeds from the sale of loans	37,661	18,468
Gain on the sale of loans, net	(329)	(263)
Net (increase) decrease in interest receivable	(776)	637
Net decrease in interest payable	(1,094)	(65)
Net decrease in other assets	1,865	3,054
Net decrease in other liabilities	(20,029)	(852)
Net Cash Provided by Operating Activities	14,454	16,221
INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(33,302)	(12,168)
Proceeds from maturities, prepayments and calls of securities available-for-sale	13,426	19,211
Proceeds from sales of securities available-for-sale	94	58,242
Proceeds from the redemption of Federal Home Loan Bank stock	2,129	911
Net (increase) decrease in loans	(39,284)	50,569
Purchases of premises and equipment	(652)	(919)
Proceeds from the sale of premises and equipment	142	7
Proceeds from the sale of merchant card servicing business	4,750	
Net cash acquired from bank acquisitions		4,517
Net Cash (Used In) Provided by Investing Activities	(52,697)	120,370
FINANCING ACTIVITIES		
Net (decrease) increase in core deposits	(28,866)	48,639
Net increase (decrease) in certificates of deposit	28,808	(68,141)
Net increase in securities sold under repurchase agreements	1,775	10,268
Net decrease in short-term borrowings	(25,000)	
Repayments of long-term borrowings	(10,566)	(7,446)
Purchase of treasury shares		(49)
Sale of treasury shares		497
Cash dividends paid to common shareholders	(4,460)	(4,220)
Tax expense from stock-based compensation	(35)	(25)

Edgar Filing: S&T BANCORP INC - Form 10-Q

Net Cash Used in Financing Activities	(38,344)	(20,477)
Net (decrease) increase in cash and cash equivalents	(76,587)	116,114
Cash and cash equivalents at beginning of period	337,711	270,526

Cash and Cash Equivalents at End of Period	\$ 261,124	\$ 386,640
---	-------------------	-------------------

Supplemental Disclosures

Interest paid	\$ 5,268	\$ 5,885
Income taxes paid, net of refunds ⁽¹⁾	(45)	
Net assets from acquisitions, excluding cash and cash equivalents		3,846
Transfers to other real estate owned and other repossessed assets	\$ 126	\$ 264

⁽¹⁾ There were no taxes paid during either of the quarters presented 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, 2012, filed with the SEC on February 25, 2013. 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 and footnotes have been reclassified to conform to the current periods' 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. GAAP 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

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires reporting the effect of significant reclassifications out of accumulated other comprehensive income by component on the respective line items in the income statement parenthetically or in the notes to the financial statements if the amounts being reclassified are required under U.S. GAAP to be reclassified in their entirety to net income. This ASU is effective for public companies prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012 and early adoption is permitted. We have elected the option of reporting in the notes to the financial statements. The adoption of ASU 2013-02 impacted only our disclosures and did not have an impact on our results of operations or financial position.

Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities in order to clarify the scope of ASU 2011-11, Disclosures About Offsetting Assets and Liabilities, issued in December 2011. ASU 2011-11 required entities to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This ASU was issued to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards,

Edgar Filing: S&T BANCORP INC - Form 10-Q

or IFRS. ASU 2013-01 clarified that ASU 2011-11 applies to derivatives, sale and repurchase agreements and reverse sale of repurchase agreements, and securities borrowing and securities lending arrangements, but does not apply to standard commercial contracts allowing either party to net in the event of default or to broker-dealer unsettled regular-way trades. Both ASUs are effective for public companies retrospectively for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The adoption of ASU 2013-02 and ASU 2011-11 impacted only our disclosures and did not have an 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****Recently Issued Accounting Standards Updates not yet Adopted*****Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date***

In February 2013, the FASB issued ASU No. 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. The ASU requires the measurement of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement with its co-obligors as well as any additional amount that the entity expects to pay on behalf of its co-obligors. The new standard is effective retrospectively for fiscal years and interim periods within those years, beginning after December 15, 2013, and early adoption is permitted. We are currently evaluating the implications of ASU 2013-04.

NOTE 2. 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:

<i>(in thousands, except share and per share data)</i>	Three Months Ended March 31,	
	2013	2012
Numerator for Earnings per Common Share Basic:		
Net income	\$ 12,330	\$ 3,480
Less: Income allocated to participating shares	45	7
Net Income Allocated to Common Shareholders	\$ 12,285	\$ 3,473
Numerator for Earnings per Common Share Diluted:		
Net income	\$ 12,330	\$ 3,480
Net Income Available to Common Shareholders	\$ 12,330	\$ 3,480
Denominators:		
Weighted Average Common Shares Outstanding Basic	29,621,453	28,257,450
Add: Dilutive potential common shares	52,953	15,119
Denominator for Treasury Stock Method Diluted	29,674,406	28,272,569

Weighted Average Common Shares Outstanding Basic	29,621,453	28,257,450
Add: Average participating shares outstanding	108,249	58,855
Denominator for Two-Class Method Diluted	29,729,702	28,316,305
Earnings per common share basic	\$ 0.41	\$ 0.12
Earnings per common share diluted	\$ 0.41	\$ 0.12
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	655,573	739,282
Restricted stock considered anti-dilutive excluded from dilutive potential common shares	55,296	30,783

NOTE 3. 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.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 3. FAIR VALUE MEASUREMENTS continued

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 is 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.

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 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 as 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.

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 our 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.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 3. FAIR VALUE MEASUREMENTS continued

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 3.

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 the collateral. 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.

Appraisals may be discounted based on our historical knowledge, changes in market conditions from the time of appraisal or our knowledge of the borrower and the borrower's business. Impaired loans carried at fair value are classified as Level 3.

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 appraisal or other information available to us. OREO and other repossessed assets are classified as Level 3.

Mortgage Servicing Rights

The fair value of MSR 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 MSR. If the carrying value of MSR exceeds fair value, they are considered impaired. As the valuation model includes significant unobservable inputs, MSR is classified as Level 3 within the fair value hierarchy.

Other Assets

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. 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 with respect to such financial instruments. For fair value disclosure purposes, we substantially utilize 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 3. 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 operations.

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 3. 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, 2013 and December 31, 2012. There were no transfers between Level 1 and Level 2 for items measured at fair value on a recurring basis during the periods presented.

<i>(in thousands)</i>	March 31, 2013			Total
	Level 1	Level 2	Level 3	
ASSETS				
Securities available-for-sale:				
Obligations of U.S. government corporations and agencies	\$	\$ 230,763	\$	\$ 230,763
Collateralized mortgage obligations of U.S. government corporations and agencies		51,986		51,986
Residential mortgage-backed securities of U.S. government corporations and agencies		47,555		47,555
Commercial mortgage-backed securities of U.S. government corporations and agencies		21,648		21,648
Obligations of states and political subdivisions		108,511		108,511
Marketable equity securities	177	8,466	312	8,955
Total securities available-for-sale	177	468,929	312	469,418
Trading securities held in a Rabbi Trust	2,966			2,966
Total securities	3,143	468,929	312	472,384
Derivative financial assets:				
Interest rate swaps		20,864		20,864
Interest rate lock commitments		241		241
Total Assets	\$ 3,143	\$ 490,034	\$ 312	\$ 493,489

LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	\$	\$ 20,768	\$	\$ 20,768
Forward sale contracts		24		24
Total Liabilities	\$	\$ 20,792	\$	\$ 20,792

<i>(in thousands)</i>	December 31, 2012			Total
	Level 1	Level 2	Level 3	
ASSETS				
Securities available-for-sale:				
Obligations of U.S. government corporations and agencies	\$	\$ 212,066	\$	\$ 212,066
Collateralized mortgage obligations of U.S. government corporations and agencies		57,896		57,896

Edgar Filing: S&T BANCORP INC - Form 10-Q

Residential mortgage-backed securities of U.S. government corporations and agencies		50,623		50,623	
Commercial mortgage-backed securities of U.S. government corporations and agencies		10,158		10,158	
Obligations of states and political subdivisions		112,767		112,767	
Marketable equity securities	140	8,316	300	8,756	
Total securities available-for-sale	140	451,826	300	452,266	
Trading securities held in a Rabbi Trust	2,223			2,223	
Total securities	2,363	451,826	300	454,489	
Derivative financial assets:					
Interest rate swaps		23,748		23,748	
Interest rate lock commitments		467		467	
Total Assets		\$ 2,363	\$ 476,041	\$ 300	\$ 478,704

LIABILITIES

Derivative financial liabilities:				
Interest rate swaps		\$ 23,522	\$	\$ 23,522
Forward sale contracts		48		48
Total Liabilities		\$ 23,570	\$	\$ 23,570

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 3. FAIR VALUE MEASUREMENTS continued**

We classify financial instruments as Level 3 when valuation models are used because significant inputs are not observable in the market. The following tables present 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:

<i>(in thousands)</i>	Three Months Ended	
	March 31, 2013(1)	2012 (1)
Balance at beginning of period	\$ 300	\$ 462
Total gains included in other comprehensive income (loss)	12	38
Net purchases, sales, issuances and settlements		
Transfers into (out of) Level 3		
Balance at End of Period	\$ 312	\$ 500

(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 Comprehensive Income.

Level 3 financial instruments measured on a recurring basis accounted for less than one percent of all assets measured at fair value on a recurring basis at both March 31, 2013 and December 31, 2012. 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, 2013 and December 31, 2012. There were no liabilities measured at estimated fair value on a nonrecurring basis during these periods. Loans held for sale are recorded at the lower of cost or fair value. At March 31, 2013 and December 31, 2012, we had no loans held for sale that were recorded at fair value.

<i>(in thousands)</i>	March 31, 2013			Total
	Level 1	Level 2	Level 3	
ASSETS				
Impaired loans	\$	\$	\$ 30,981	\$ 30,981
Other real estate owned			208	208
Mortgage servicing rights			2,268	2,268
Total Assets	\$	\$	\$ 33,457	\$ 33,457

Edgar Filing: S&T BANCORP INC - Form 10-Q

<i>(in thousands)</i>	December 31, 2012			Total
	Level 1	Level 2	Level 3	
ASSETS				
Impaired loans	\$	\$	\$ 44,059	\$ 44,059
Other real estate owned			585	585
Mortgage servicing rights			2,106	2,106
Total Assets	\$	\$	\$ 46,750	\$ 46,750

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 3. FAIR VALUE MEASUREMENTS continued**

The carrying values and fair values of our financial instruments at March 31, 2013 and December 31, 2012 are presented in the following tables:

<i>(in thousands)</i>	Carrying Value ⁽¹⁾	Fair Value Measurements at March 31, 2013			
		Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	\$ 261,124	\$ 261,124	\$ 261,124	\$	\$
Securities available-for-sale	469,418	469,418	177	468,929	312
Loans held for sale	2,580	2,656			2,656
Portfolio loans	3,381,982	3,376,989			3,376,989
Bank owned life insurance	59,081	59,081		59,081	
FHLB and other restricted stock	13,185	13,185			13,185
Trading securities held in a Rabbi Trust	2,966	2,966	2,966		
Mortgage servicing rights	2,268	2,268			2,268
Interest rate swaps	20,864	20,864		20,864	
Interest rate lock commitments	241	241		241	
LIABILITIES					
Deposits	\$ 3,638,564	\$ 3,642,724	\$	\$	\$ 3,642,724
Securities sold under repurchase agreements	64,358	64,358			64,358
Short-term borrowings	50,000	50,000			50,000
Long-term borrowings	23,535	25,446			25,446
Junior subordinated debt securities	90,619	90,619			90,619
Interest rate swaps	20,768	20,768		20,768	
Forward sale contracts	24	24		24	

⁽¹⁾ As reported in the Consolidated Balance Sheets

<i>(in thousands)</i>	Carrying Value ⁽¹⁾	Fair Value Measurements at December 31, 2012			
		Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	\$ 337,711	\$ 337,711	\$ 337,711	\$	\$
Securities available-for-sale	452,266	452,266	140	451,826	300
Loans held for sale	22,499	22,601			22,601
Portfolio loans	3,346,622	3,347,602			3,347,602
Bank owned life insurance	58,619	58,619		58,619	
FHLB and other restricted stock	15,315	15,315			15,315
Trading securities held in a Rabbi Trust	2,223	2,223	2,223		

Edgar Filing: S&T BANCORP INC - Form 10-Q

Mortgage servicing rights	2,106	2,106		2,106
Interest rate swaps	23,748	23,748	23,748	
Interest rate lock commitments	467	467	467	

LIABILITIES

Deposits	\$ 3,638,428	\$ 3,643,683	\$	\$	\$ 3,643,683
Securities sold under repurchase agreements	62,582	62,582			62,582
Short-term borrowings	75,000	75,000			75,000
Long-term borrowings	34,101	36,235			36,235
Junior subordinated debt securities	90,619	90,619			90,619
Interest rate swaps	23,522	23,522		23,522	
Forward sale contracts	48	48			48

⁽¹⁾ As reported in the Consolidated Balance Sheets

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 4. SECURITIES AVAILABLE-FOR-SALE**

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

	March 31, 2013			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
<i>(in thousands)</i>				
Obligations of U.S. government corporations and agencies	\$ 226,428	\$ 4,392	\$ (57)	\$ 230,763
Collateralized mortgage obligations of U.S. government corporations and agencies	50,297	1,689		51,986
Residential mortgage-backed securities of U.S. government corporations and agencies	44,699	2,856		47,555
Commercial mortgage-backed securities of U.S. government corporations and agencies	21,614	40	(6)	21,648
Obligations of states and political subdivisions	104,611	4,244	(344)	108,511
Debt Securities	447,649	13,221	(407)	460,463
Marketable equity securities	7,579	1,376		8,955
Total	\$ 455,228	\$ 14,597	\$ (407)	\$ 469,418

	December 31, 2012			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
<i>(in thousands)</i>				
Obligations of U.S. government corporations and agencies	\$ 207,229	\$ 4,890	\$ (53)	\$ 212,066
Collateralized mortgage obligations of U.S. government corporations and agencies	56,085	1,811		57,896
Residential mortgage-backed securities of U.S. government corporations and agencies	47,279	3,344		50,623
Commercial mortgage-backed securities of U.S. government corporations and agencies	10,129	29		10,158
Obligations of states and political subdivisions	107,911	4,908	(52)	112,767
Debt Securities	428,633	14,982	(105)	443,510
Marketable equity securities	7,672	1,095	(11)	8,756
Total	\$ 436,305	\$ 16,077	\$ (116)	\$ 452,266

Realized gains and losses on the sale of securities are determined using the specific-identification method. The following table shows the composition of gross and net realized gains and losses for the periods indicated.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2013	2012
Gross realized gains	\$ 2	\$ 851
Gross realized losses		(11)
Net realized gains (losses)	\$ 2	\$ 840

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 4. 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:

<i>(in thousands)</i>	Less Than 12 Months Unrealized		March 31, 2013 12 Months or More Unrealized		Total Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
	Obligations of U.S. government corporations and agencies	\$ 21,834	\$ (57)	\$	\$	\$ 21,834
Collateralized mortgage obligations of U.S. government corporations and agencies						
Residential mortgage-backed securities of U.S. government corporations and agencies						
Commercial mortgage-backed securities of U.S. government corporations and agencies	10,118	(6)			10,118	(6)
Obligations of states and political subdivisions	16,856	(344)			16,856	(344)
Debt Securities	48,808	(407)			48,808	(407)
Marketable equity securities						
Total Temporarily Impaired Securities	\$ 48,808	\$ (407)	\$	\$	\$ 48,808	\$ (407)

<i>(in thousands)</i>	Less Than 12 Months Unrealized		December 31, 2012 12 Months or More Unrealized		Total Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
	Obligations of U.S. government corporations and agencies	\$ 11,370	\$ (53)	\$	\$	\$ 11,370
Collateralized mortgage obligations of U.S. government corporations and agencies						
Residential mortgage-backed securities of U.S. government corporations and agencies						
Commercial mortgage-backed securities of U.S. government corporations and agencies						
Obligations of states and political subdivisions	11,285	(52)			11,285	(52)

Edgar Filing: S&T BANCORP INC - Form 10-Q

Debt Securities	22,655	(105)	22,655	(105)
Marketable equity securities	228	(11)	228	(11)
Total Temporarily Impaired Securities	\$ 22,883	\$ (116)	\$ 22,883	\$ (116)

We do not believe any individual unrealized loss as of March 31, 2013 represents an other than temporary impairment, or OTTI. As of March 31, 2013, the unrealized losses on eight debt securities were primarily attributable to changes in interest rates. There were no unrealized losses on marketable equity securities as of March 31, 2013. 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 \$9.2 million and \$10.4 million were included in accumulated other comprehensive loss, net of tax, at March 31, 2013 and December 31, 2012, respectively. Gross unrealized gains of \$9.5 million and \$10.5 million, net of tax, were netted against gross unrealized losses of \$0.3 million and \$0.1 million, respectively, for these same periods. During the quarter ended March 31, 2013, a minimal amount of unrealized gains were reclassified out of accumulated other comprehensive income into earnings while \$0.5 million of unrealized gains were reclassified to earnings for the period ended March 31, 2012. There were no unrealized losses reclassified into earnings to record OTTI during the period ended March 31, 2013 and minimal losses were reclassified into earnings to record OTTI during the period ended March 31, 2012.

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 4. SECURITIES AVAILABLE-FOR-SALE continued**

The amortized cost and fair value of securities available-for-sale at March 31, 2013, by contractual maturity, are included in the table below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<i>(in thousands)</i>	March 31, 2013	
	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	\$ 51,933	\$ 52,595
Due after one year through five years	124,222	128,251
Due after five years through ten years	77,498	77,873
Due after ten years	77,386	80,555
	331,039	339,274
Collateralized mortgage obligations of U.S. government corporations and agencies	50,297	51,986
Residential mortgage-backed securities of U.S. government corporations and agencies	44,699	47,555
Commercial Mortgage-backed securities of U.S. government corporations and agencies	21,614	21,648
Debt Securities	447,649	460,463
Marketable equity securities	7,579	8,955
Total	\$ 455,228	\$ 469,418

At March 31, 2013 and December 31, 2012, securities with carrying values of \$267.8 million and \$307.5 million, respectively, were pledged for various regulatory and legal requirements.

NOTE 5. LOANS AND LOANS HELD FOR SALE

Loans are presented net of unearned income of \$538 and \$216 at March 31, 2013 and December 31, 2012, respectively. The following table indicates the composition of the loans for the periods presented:

<i>(in thousands)</i>	March 31, 2013	December 31, 2012
Commercial		
Commercial real estate	\$ 1,479,796	\$ 1,452,133
Commercial and industrial	806,205	791,396

Edgar Filing: S&T BANCORP INC - Form 10-Q

Commercial construction	164,874	168,143
Total Commercial Loans	2,450,875	2,411,672
Consumer		
Residential mortgage	442,705	427,303
Home equity	416,524	431,335
Installment and other consumer	68,773	73,875
Consumer construction	3,105	2,437
Total Consumer Loans	931,107	934,950
Total Portfolio Loans	3,381,982	3,346,622
Loans held for sale	2,580	22,499
Total Loans	\$ 3,384,562	\$ 3,369,121

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 5. LOANS AND LOANS HELD FOR SALE continued**

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 segments. Total commercial loans represent 72 percent of total portfolio loans at both March 31, 2013 and December 31, 2012. Within our commercial portfolio, the commercial real estate, or CRE, and commercial construction portfolios combined comprise 67 percent of total commercial loans and 49 percent of total portfolio loans at March 31, 2013 and 67 percent of total commercial loans and 48 percent of total portfolio loans at December 31, 2012. Further segmentation of the CRE and commercial construction portfolios by industry and collateral type reveal no concentration in excess of nine percent of total loans. The majority of both commercial and consumer loans are made to businesses and individuals in Western Pennsylvania 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-market exposure, with 19 percent of the combined portfolio and nine percent of total loans being out-of-market loans at both March 31, 2013 and December 31, 2012. Management believes underwriting guidelines, active monitoring of economic conditions and ongoing review by credit administration mitigates the concentration risk present in the loan portfolio.

Troubled Debt Restructurings, or TDRs, are loans where we, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that we would not otherwise consider. We strive to identify borrowers in financial difficulty early and work with them to modify the terms before their loan reaches nonaccrual status. These modified terms generally include extensions of maturity dates at a stated interest rate lower than the current market rate for a new loan with similar risk characteristics, reductions in contractual interest rates, principal forgiveness and principal deferment. These modifications are generally for longer term periods that would not be considered insignificant. Additionally, we classify loans where the debt obligation has been discharged through a Chapter 7 Bankruptcy as TDRs.

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.

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

<i>(in thousands)</i>	March 31, 2013			December 31, 2012		
	Performing TDRs	Nonperforming TDRs	Total TDRs	Performing TDRs	Nonperforming TDRs	Total TDRs
Commercial real estate	\$ 14,309	\$ 6,945	\$ 21,254	\$ 14,220	\$ 9,584	\$ 23,804
Commercial and industrial	8,196	1,302	9,498	8,270	939	9,209
Commercial construction	11,769	4,645	16,414	11,734	5,324	17,058
Residential mortgage	3,283	1,483	4,766	3,078	2,752	5,830
Home equity	3,770	401	4,171	4,195	341	4,536

Edgar Filing: S&T BANCORP INC - Form 10-Q

Installment and other consumer	96		96	24		24
Total	\$ 41,423	\$ 14,776	\$ 56,199	\$ 41,521	\$ 18,940	\$ 60,461

We returned one TDR for \$0.2 million to accruing status during the quarter ended March 31, 2013 and we did not return any TDRs to accruing status during the quarter ended March 31, 2012.

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 5. LOANS AND LOANS HELD FOR SALE continued**

The following table presents the restructured loans for the three month period ended March 31, 2013:

<i>(dollars in thousands)</i>	Number of Loans	Pre-Modification	2013 Post-Modification	Total Difference in Recorded Investment
		Outstanding Recorded Investment ⁽¹⁾	Outstanding Recorded Investment ⁽¹⁾	
Commercial real estate				
Principal deferral	3	\$ 1,541	\$ 1,288	\$ (253)
Chapter 7 bankruptcy ⁽²⁾	3	205	204	(1)
Commercial and industrial				
Principal deferral	1	392	387	(5)
Chapter 7 bankruptcy ⁽²⁾	1	3	3	0
Residential mortgage				
Principal deferral	2	153	153	
Chapter 7 bankruptcy ⁽²⁾	6	269	269	
Home equity				
Principal deferral	1	174	45	(129)
Chapter 7 bankruptcy ⁽²⁾	6	162	162	0
Installment and other consumer				
Chapter 7 bankruptcy ⁽²⁾	6	73	73	
Total by Concession Type				
Principal Deferral	7	2,260	1,873	(387)
Chapter 7 bankruptcy ⁽²⁾	22	712	711	(1)
Total	29	\$ 2,972	\$ 2,584	\$ (388)

⁽¹⁾ Excludes loans that were fully paid off or fully charged-off by period end. The pre-modification balance represents the balance outstanding prior to modification. The post-modification balance represents the outstanding balance at period end.

⁽²⁾ Chapter 7 bankruptcy loans where the debt has been legally discharged through the bankruptcy court and not reaffirmed.

There were no new TDRs in the quarter ended March 31, 2012. We modified \$5.2 million of commercial construction and commercial and industrial loans for financially troubled borrowers that were not considered to be TDRs during the first quarter of 2013. Modifications primarily represented insignificant delays in the timing of payments that were not considered to be concessions or we have been adequately compensated

Edgar Filing: S&T BANCORP INC - Form 10-Q

for the concession through principal paydowns, fees or additional collateral. As of March 31, 2013 we have no commitments to lend additional funds on any TDRs.

Defaulted TDRs are defined as loans having a payment default of 90 days or more after the restructuring takes place. The following table is a summary of TDRs which defaulted during the periods ended March 31, 2013 and 2012 that had been restructured within the last twelve months prior to defaulting:

<i>(dollars in thousands)</i>	Defaulted TDRs			
	For the		For the	
	Period Ended		Period Ended	
	March 31, 2013		March 31, 2012	
	Number of	Recorded	Number of	Recorded
	Defaults	Investment	Defaults	Investment
Commercial real estate		\$ 1		\$ 344
Commercial and Industrial			1	218
Commercial construction			1	1,297
Residential real estate	1	18	5	4,277
Home equity	2	118		
Total	3	\$ 136	8	\$ 6,136

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 5. LOANS AND LOANS HELD FOR SALE continued**

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

<i>(in thousands)</i>	March 31, 2013	December 31, 2012
Nonperforming Assets		
Nonaccrual loans	\$ 31,514	\$ 36,018
Nonaccrual TDRs	14,776	18,940
Total nonperforming loans	46,290	54,958
OREO	627	911
Total Nonperforming Assets	\$ 46,917	\$ 55,869

OREO which is included in other assets in the Consolidated Balance Sheets consists of 11 properties. It is our policy to obtain OREO appraisals on an annual basis.

NOTE 6. 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 on the following portfolio segments: 1) CRE, 2) Commercial and 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. Operations 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 period, 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 segment 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 reserve for loans collectively evaluated for impairment. 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.

We continuously monitor our ALL methodology to ensure that it is responsive to the current economic environment. The ALL methodology for groups of homogeneous loans, known as the general reserve, is comprised of both a quantitative and qualitative analysis. Due to the economic environment over the past two years, we used a relatively shorter time horizon of four quarters to calculate our historic loss rates for all loan portfolios. Given that the credit quality has been improving in recent periods, the historic loss rates in certain portfolios have been decreasing to rates below what we believe is reflective of the inherent losses within these portfolios. As such, during the first quarter of 2013 we have lengthened the historic loss calculation for our CRE & C&I portfolios to consider eight quarters. After consideration of the loss calculations, management applies additional qualitative adjustments so that the ALL is reflective of the inherent losses that exist in the loan portfolio at the balance sheet date. The evaluation of the various components of the ALL requires considerable judgment in order to estimate inherent loss exposures.

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 6. 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:

<i>(in thousands)</i>	March 31, 2013				Total Past Due	Total Loans
	Current	30-59 Days Past Due	60-89 Days Past Due	Non-performing		
Commercial real estate	\$ 1,451,067	\$ 2,429	\$ 464	\$ 25,836	\$ 28,729	\$ 1,479,796
Commercial and industrial	791,094	9,500	231	5,380	15,111	806,205
Commercial construction	153,115	6,589		5,170	11,759	164,874
Residential mortgage	434,833	1,824	405	5,643	7,872	442,705
Home equity	410,163	1,823	516	4,022	6,361	416,524
Installment and other consumer	68,358	348	46	21	415	68,773
Consumer construction	2,887			218	218	3,105
Totals	\$ 3,311,517	\$ 22,513	\$ 1,662	\$ 46,290	\$ 70,465	\$ 3,381,982

<i>(in thousands)</i>	December 31, 2012				Total Past Due	Total Loans
	Current	30-59 Days Past Due	60-89 Days Past Due	Non-performing		
Commercial real estate	\$ 1,418,934	\$ 2,230	\$ 413	\$ 30,556	\$ 33,199	\$ 1,452,133
Commercial and industrial	780,315	4,409	237	6,435	11,081	791,396
Commercial construction	150,823	10,542		6,778	17,320	168,143
Residential mortgage	416,364	1,713	1,948	7,278	10,939	427,303
Home equity	424,485	2,332	865	3,653	6,850	431,335
Installment and other consumer	73,334	406	95	40	541	73,875
Consumer construction	2,219			218	218	2,437
Totals	\$ 3,266,474	\$ 21,632	\$ 3,558	\$ 54,958	\$ 80,148	\$ 3,346,622

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.

Edgar Filing: S&T BANCORP INC - Form 10-Q

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 6. 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:

<i>(dollars in thousands)</i>					March 31, 2013		Total	% of Total
	Commercial Real Estate	% of Total	Commercial and Industrial	% of Total	Commercial Construction	% of Total		
Pass	\$ 1,332,572	90.0%	\$ 732,809	90.9%	\$ 124,231	75.4%	\$ 2,189,612	89.3%
Special mention	66,536	4.5%	44,251	5.5%	23,455	14.2%	134,242	5.5%
Substandard	80,688	5.5%	29,145	3.6%	17,188	10.4%	127,021	5.2%
Total	\$ 1,479,796	100.0%	\$ 806,205	100.0%	\$ 164,874	100.0%	\$ 2,450,875	100.0%

<i>(dollars in thousands)</i>					December 31, 2012		Total	% of Total
	Commercial Real Estate	% of Total	Commercial and Industrial	% of Total	Commercial Construction	% of Total		
Pass	\$ 1,265,810	87.2%	\$ 718,070	90.7%	\$ 118,841	70.7%	\$ 2,102,721	87.2%
Special mention	96,156	6.6%	42,016	5.3%	30,748	18.3%	168,920	7.0%
Substandard	90,167	6.2%	31,310	4.0%	18,554	11.0%	140,031	5.8%
Total	\$ 1,452,133	100.0%	\$ 791,396	100.0%	\$ 168,143	100.0%	\$ 2,411,672	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:

<i>(dollar in thousands)</i>					March 31, 2013				Total	% of Total
	Residential Mortgage	% of Total	Home Equity	% of Total	Installment and other consumer	% of Total	Consumer Construction	% of Total		
Performing	\$ 437,062	98.7%	\$ 412,502	99.0%	\$ 68,752	99.9%	\$ 2,887	93.0%	\$ 921,203	98.9%

Edgar Filing: S&T BANCORP INC - Form 10-Q

Nonperforming	5,643	1.3%	4,022	1.0%	21	0.1%	218	7.0%	9,904	1.1%
Total	\$ 442,705	100.0%	\$ 416,524	100.0%	\$ 68,773	100.0%	\$ 3,105	100.0%	\$ 931,107	100.0%

<i>(dollars in thousands)</i>	December 31, 2012									
	Residential Mortgage	% of Total	Home Equity	% of Total	Installment and other consumer	% of Total	Consumer Construction	% of Total	Total	% of Total
Performing	\$ 420,025	98.3%	\$ 427,682	99.2%	\$ 73,835	99.9%	\$ 2,219	91.1%	\$ 923,761	98.8%
Nonperforming	7,278	1.7%	3,653	0.8%	40	0.1%	218	8.9%	11,189	1.2%
Total	\$ 427,303	100.0%	\$ 431,335	100.0%	\$ 73,875	100.0%	\$ 2,437	100.0%	\$ 934,950	100.0%

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 6. 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:

<i>(in thousands)</i>	March 31, 2013			December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With a related allowance recorded:						
Commercial real estate	\$ 4,446	\$ 5,117	\$ 171	\$ 6,138	\$ 6,864	\$ 1,226
Commercial and industrial				1,864	2,790	1,002
Commercial construction				799	896	3
Consumer real estate						
Other consumer						
Total with a Related Allowance Recorded	4,446	5,117	171	8,801	10,550	2,231
Without a related allowance recorded:						
Commercial real estate	30,778	42,668		33,856	45,953	
Commercial and industrial	12,131	14,891		11,419	12,227	
Commercial construction	16,939	26,077		17,713	27,486	
Consumer real estate	9,399	10,909		10,827	12,025	
Other consumer	96	99		25	25	
Total without a Related Allowance Recorded	69,343	94,644		73,840	97,716	
Total:						
Commercial real estate	35,224	47,785	171	39,994	52,817	1,226
Commercial and industrial	12,131	14,891		13,283	15,017	1,002
Commercial construction	16,939	26,077		18,512	28,382	3
Consumer real estate	9,399	10,909		10,827	12,025	
Other consumer	96	99		25	25	
Total	\$ 73,789	\$ 99,761	\$ 171	\$ 82,641	\$ 108,266	\$ 2,231

(in thousands)

For the three months ended
March 31, 2013 March 31, 2012

Edgar Filing: S&T BANCORP INC - Form 10-Q

	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:				
Commercial real estate	\$ 4,480	\$	\$ 4,538	\$ 44
Commercial and industrial			3,746	5
Commercial construction			8,541	33
Consumer real estate				
Other consumer				
Total with a Related Allowance Recorded	4,480		16,825	82
Without a related allowance recorded:				
Commercial real estate	31,406	241	47,340	310
Commercial and industrial	12,446	69	7,983	35
Commercial construction	17,332	134	21,114	148
Consumer real estate	9,680	59	6,650	21
Other consumer	98			
Total without a Related Allowance Recorded	70,962	503	83,087	514
Total:				
Commercial real estate	35,886	241	51,878	354
Commercial and industrial	12,446	69	11,729	40
Commercial construction	17,332	134	29,655	181
Consumer real estate	9,680	59	6,650	21
Other consumer	98			
Total	\$ 75,442	\$ 503	\$ 99,912	\$ 596

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 6. ALLOWANCE FOR LOAN LOSSES continued**

As of March 31, 2013, CRE loans of \$35.2 million comprised 48 percent of the total impaired loans of \$73.8 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 \$13.4 million of charge-offs have been recorded relating to these CRE 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, 2013, an estimated fair value less cost to sell of approximately \$56.4 million existed for commercial real estate impaired loans. We have current appraisals on all but \$1.8 million of the \$35.2 million of impaired commercial real estate loans. The \$1.8 million have appraisals that are currently on order, that were originally delayed due to bankruptcy proceedings.

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

<i>(in thousands)</i>	Three Months Ended March 31, 2013					
	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Other Consumer	Total Loans
Balance at beginning of period	\$ 25,246	\$ 7,759	\$ 7,500	\$ 5,058	\$ 921	\$ 46,484
Charge-offs	(1,639)	(1,360)	(389)	(494)	(252)	(4,134)
Recoveries	749	100	53	283	94	1,279
Net (Charge-offs)/ Recoveries	(890)	(1,260)	(336)	(211)	(158)	(2,855)
Provision for loan losses	86	2,177	(561)	412	193	2,307
Balance at End of Period	\$ 24,442	\$ 8,676	\$ 6,603	\$ 5,259	\$ 956	\$ 45,936

<i>(in thousands)</i>	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

Edgar Filing: S&T BANCORP INC - Form 10-Q

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

<i>(in thousands)</i>	March 31, 2013					
	Allowance for Loan Losses			Portfolio Loans		Total
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	
Commercial real estate	\$ 171	\$ 24,271	\$ 24,442	\$ 35,224	\$ 1,444,572	\$ 1,479,796
Commercial and industrial		8,676	8,676	12,131	794,074	806,205
Commercial construction		6,603	6,603	16,939	147,935	164,874
Consumer real estate		5,259	5,259	9,399	852,935	862,334
Other consumer		956	956	96	68,677	68,773
Total	\$ 171	\$ 45,765	\$ 45,936	\$ 73,789	\$ 3,308,193	\$ 3,381,982

<i>(in thousands)</i>	December 31, 2012					
	Allowance for Loan Losses			Portfolio Loans		Total
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	
Commercial real estate	\$ 1,226	\$ 24,020	\$ 25,246	\$ 39,994	\$ 1,412,139	\$ 1,452,133
Commercial and industrial	1,002	6,757	7,759	13,283	778,113	791,396
Commercial construction	3	7,497	7,500	18,512	149,631	168,143
Consumer real estate		5,058	5,058	10,827	850,248	861,075
Other consumer		921	921	25	73,850	73,875
Total	\$ 2,231	\$ 44,253	\$ 46,484	\$ 82,641	\$ 3,263,981	\$ 3,346,622

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES****Interest Rate Swaps**

Interest rate swaps are contracts in which a series of interest rate flows (fixed and variable) are exchanged over a prescribed period. The notional amounts on which the interest payments are based are not exchanged. In some cases, we utilize interest rate swaps for commercial loans. These derivative positions relate to transactions in which we enter into an interest rate swap with a customer while at the same time entering into an offsetting interest rate swap with another financial institution. In connection with each transaction, we agree to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on a same notional amount at a fixed rate. At the same time, we agree to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The transaction allows our customer to effectively convert a variable rate loan to a fixed rate loan while we receive a variable yield. These agreements could have floors or caps on the contracted interest rates.

Pursuant to our agreements with various financial institutions, we may receive collateral or may be required to post collateral based upon mark-to-market positions. Beyond unsecured threshold levels, collateral in the form of cash or securities may be made available to counterparties of swap transactions. Based upon our current positions and related future collateral requirements relating to them, we believe any affect on its cash flow or liquidity position to be immaterial.

U.S. GAAP allows offsetting derivatives that are subject to legally enforceable netting arrangements with the same party. For example, we may have a derivative asset as well as a derivative liability with the same counterparty to a swap transaction, and are allowed to offset the asset position and the liability position resulting in a net presentation.

The following table indicates the gross amounts of derivative assets and derivative liabilities, the amounts offset, and the carrying value as presented in the Consolidated Balance Sheets as of the dates presented:

<i>(in thousands)</i>	Derivatives		Derivatives	
	(included in Other Assets)		(included in Other Liabilities)	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Derivatives not Designated as Hedging Instruments				
Gross amounts recognized	\$ 21,344	\$ 24,262	\$ 21,248	\$ 24,036
Gross amounts offset	(480)	(514)	(480)	(514)
Net amounts presented in the Consolidated Balance Sheets	20,864	23,748	20,768	23,522
Gross amounts not offset			(19,442)	(19,595)
Net Amount	\$ 20,864	\$ 23,748	\$ 1,326	\$ 3,927

Derivatives contain an element of credit risk, the possibility that we will incur a loss because a counterparty, which may be a financial institution or a customer, fails to meet its contractual obligations. All derivative contracts with financial institutions may be executed only with counterparties approved by our Asset and Liability Committee, or ALCO, and derivatives with customers may only be executed with customers within collateral coverage and credit exposure limits. Interest rate swaps are considered derivatives, but are not accounted for using hedge accounting. As such, changes in the fair value of the derivatives are recorded in current earnings and included in other noninterest income in the

Consolidated Statements of Comprehensive Income.

Interest Rate Lock Commitments and Forward Sale Contracts

In the normal course of business, we sell originated mortgage loans into the secondary mortgage loan market. We offer interest rate lock commitments to potential borrowers. Whenever a customer desires these products, a mortgage originator quotes a secondary market rate guaranteed for that day by the investor. The commitments are generally for 60 days and guarantee a specified interest rate for a loan if underwriting standards are met, but the commitment does not obligate the potential borrower to close on the loan. Accordingly, some commitments expire prior to becoming loans. However, if the borrower accepts the guaranteed rate, we can encounter pricing risk if interest rates increase significantly before the loan can be closed and sold. We may utilize forward sale contracts in order to mitigate this pricing risk. The rate lock is executed between the mortgagee and us, and generally these rate locks are bundled. A forward sale contract is then executed between us and the investor. Both the interest rate lock commitment bundle and the corresponding forward sale contract are considered derivatives, but are not accounted for using hedge accounting. As such, changes in the fair value of the derivatives during the commitment period are recorded in current earnings and included in mortgage banking in the Consolidated Statements of Comprehensive Income.

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES continued**

The following table indicates the amounts representing the value of derivative assets and derivative liabilities for the periods presented:

<i>(in thousands)</i>	Derivatives		Derivatives	
	<i>(included in Other Assets)</i>		<i>(included in Other Liabilities)</i>	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Derivatives not Designated as Hedging Instruments				
Interest Rate Swap Contracts Commercial Loans				
Fair value	\$ 20,864	\$ 23,748	\$ 20,768	\$ 23,522
Notional amount	228,974	227,532	228,974	227,532
Collateral posted			19,442	19,595
Interest Rate Lock Commitments Mortgage Loans				
Fair value	241	467		
Notional amount	7,639	14,287		
Forward Sale Contracts Mortgage Loans				
Fair value			24	48
Notional amount			8,480	14,100

The following table indicates the gain or loss recognized in income on derivatives for the periods presented:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2013	2012
Derivatives not Designated as Hedging Instruments		
Interest rate swap contracts commercial loans	\$ (129)	\$ 140
Interest rate lock commitments mortgage loans	(226)	66
Forward sale contracts mortgage loans	24	69
Total Derivative (Loss) Gain	\$ (331)	\$ 275

NOTE 8. BORROWINGS

Short-term borrowings are for terms under one year and were comprised of retail repurchase agreements, or REPOs, and Federal Home Loan Bank, or FHLB, advances. We define repurchase agreements with our local retail customers as retail REPOs. Securities pledged as collateral under these REPO financing arrangements cannot be sold or repledged by the secured party and are therefore accounted for as a secured

Edgar Filing: S&T BANCORP INC - Form 10-Q

borrowing. FHLB advances are for various terms secured by a blanket lien on residential mortgages and other real estate secured loans.

The following is a summary of short-term debt for the periods presented:

<i>(in thousands)</i>	March 31, 2013	December 31, 2012
Securities sold under repurchase agreements, retail	\$ 64,358	\$ 62,582
Federal Home Loan Bank advances	50,000	75,000
Total	\$ 114,358	\$ 137,582

Long-term debt instruments are for original terms greater than one year and are comprised of FHLB advances and junior subordinated debt securities. Long-term FHLB advances have the same collateral requirements as their short-term equivalents.

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 8. BORROWINGS continued**

The following is a summary of long-term borrowings for the periods presented:

<i>(in thousands)</i>	March 31, 2013	December 31, 2012
Long-term borrowings	\$ 23,535	\$ 34,101
Junior subordinated debt securities	90,619	90,619
Total	\$ 114,154	\$ 124,720

We had total long-term borrowings outstanding of \$20.2 million at a fixed rate and \$93.7 million at a variable rate at March 31, 2013, excluding a capital lease of \$0.2 million which is classified as long term borrowings.

We had total borrowings at March 31, 2013 and December 31, 2012 at the FHLB of Pittsburgh of \$73.3 million and \$108.9 million, respectively. This consisted of \$23.3 in long-term borrowings and \$50.0 in short-term borrowings at March 31, 2013. At March 31, 2013, we had a maximum borrowing capacity of \$1.3 billion, with a remaining borrowing availability of \$1.2 billion with the FHLB of Pittsburgh.

NOTE 9. COMMITMENTS AND CONTINGENCIES**Commitments**

In the normal course of business, we offer off-balance sheet credit arrangements to enable our customers to meet their financing objectives. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. Our exposure to credit loss, in the event a customer does not satisfy the terms of their agreement, equals the contractual amount of the obligation less the value of any collateral. We apply the same credit policies in making commitments and standby letters of credit that are used for the underwriting of loans to customers. Commitments generally have fixed expiration dates, annual renewals or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Our allowance for unfunded commitments totaled \$3.7 million at March 31, 2013 and \$3.0 million at December 31, 2012. The increase in the allowance for unfunded commitments is due to an increase in our construction commitments. The allowance for unfunded commitments is included in other liabilities in the Consolidated Balance Sheets.

Estimates of the fair value of these off-balance sheet items were not made because of the short-term nature of these arrangements and the credit standing of the counterparties.

The following table sets forth the commitments and letters of credit for the periods presented:

<i>(in thousands)</i>	March 31, 2013	December 31, 2012
-----------------------	----------------	-------------------

Edgar Filing: S&T BANCORP INC - Form 10-Q

Commitments to extend credit	\$ 941,256	\$ 874,137
Standby letters of credit	83,224	95,399
Total	\$ 1,024,480	\$ 969,536

Litigation

In the normal course of business, we are subject to various legal and administrative proceedings and claims. While any type of litigation contains a level of uncertainty, we believe that the outcome of such proceedings or claims will not have a material adverse effect on our consolidated financial position.

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 10. OTHER COMPREHENSIVE INCOME**

The following tables present the tax effects of the components of other comprehensive income/loss for the periods presented:

<i>(in thousands)</i>	Three Months Ended March 31, 2013		
	Tax		
	Pre-Tax Amount	(Expense) Benefit	Net of Tax Amount
Change in unrealized gains/losses on securities available-for-sale	\$ (1,768)	\$ 619	\$ (1,149)
Reclassification adjustment for net gains/losses on securities available-for-sale included in net income ⁽¹⁾	(2)	1	(1)
Adjustment to funded status of employee benefit plans	598	(209)	389
Other Comprehensive Income (Loss)	\$ (1,172)	\$ 411	\$ (761)

<i>(in thousands)</i>	Three Months Ended March 31, 2012		
	Tax		
	Pre-Tax Amount	(Expense) Benefit	Net of Tax Amount
Change in unrealized gains/losses on securities available-for-sale	\$ 306	\$ (107)	\$ 199
Reclassification adjustment for net gains/losses on securities available-for-sale included in net income	(840)	294	(546)
Adjustment to funded status of employee benefit plans	568	(199)	369
Other Comprehensive Income (Loss)	\$ 34	\$ (12)	\$ 22

⁽¹⁾ Reclassification adjustments are comprised of realized security gains. The gains have been reclassified out of accumulated other comprehensive income and have affected certain lines in the consolidated statement of comprehensive income as follows; the pre-tax amount is included in securities gains-net, the tax expense amount is included in the provision for income taxes and the net of tax amount is included in net income.

NOTE 11. EMPLOYEE BENEFITS

Edgar Filing: S&T BANCORP INC - Form 10-Q

We maintain a defined benefit pension plan, or Plan, covering substantially all employees hired prior to January 1, 2008. The benefits are based on years of service and the employee's compensation for the highest five consecutive years in the last ten years. Contributions are intended to provide for benefits attributed to employee service to date and for those benefits expected to be earned in the future. At this time, we are not required to make a cash contribution to the Plan in 2013; however, we contributed \$3.1 million to the Plan in December 2012. The expected long-term rate of return on plan assets is 8.00 percent. For the current year there are no changes to the Plan.

The following table summarizes the components of net periodic pension cost and other changes in plan assets and benefit obligation recognized in other comprehensive gain/loss for the periods presented:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2013	2012
Components of Net Periodic Pension Cost		
Service cost – benefits earned during the period	\$ 708	\$ 727
Interest cost on projected benefit obligation	996	1,076
Expected return on plan assets	(1,565)	(1,404)
Amortization of prior service cost (credit)	(34)	(32)
Recognized net actuarial loss	588	570
Net Periodic Pension Expense	\$ 693	\$ 937

Table of Contents**S&T BANCORP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****NOTE 12. SEGMENTS**

We operate three reportable operating segments including Community Banking, Insurance and Wealth Management.

Our Community Banking segment offers services which include accepting time and demand accounts, originating commercial and consumer loans and providing letters of credit and credit card services.

Our Insurance segment includes a full-service insurance agency offering commercial property and casualty insurance, group life and health coverage, employee benefit solutions and personal insurance lines.

Our Wealth Management segment offers discount brokerage services, services as executor and trustee under wills and deeds, guardian and custodian of employee benefits and other trust and brokerage services, as well as a registered investment advisor that manages private investment accounts for individuals and institutions.

The following represents total assets by reportable operating segment for the periods presented:

<i>(in thousands)</i>	March 31, 2013	December 31, 2012
Community Banking	\$ 4,472,181	\$ 4,518,799
Insurance	6,532	6,697
Wealth Management	1,150	1,206
Total Assets	\$ 4,479,863	\$ 4,526,702

The following tables provide financial information for our three segments for the three months ended March 31, 2013 and 2012. The financial results of the business segments include allocations for shared services based on an internal analysis that supports line of business and branch performance measurement. Shared services include expenses such as employee benefits, occupancy expense, computer support and other corporate overhead. Even with these allocations, the financial results are not necessarily indicative of the business segments' financial condition and results of operations as if they existed as independent entities. The information provided under the caption "Eliminations" represents operations not considered to be reportable segments and/or general operating expenses and eliminations and adjustments, which are necessary for purposes of reconciling to the Consolidated Financial Statements.

<i>(in thousands)</i>	Three Months Ended March 31, 2013				
	Community Banking	Wealth Management	Insurance	Eliminations	Consolidated
Interest income	\$ 37,690	\$ 138	\$	\$ 15	\$ 37,843
Interest expense	4,790			(616)	4,174
Net interest income	32,900	138		631	33,669
Provision for loan losses	2,307				2,307
Noninterest income	10,356	2,574	1,598	278	14,806

Edgar Filing: S&T BANCORP INC - Form 10-Q

Noninterest expense	24,634	2,489	1,447	1,678	30,248
Depreciation expense	919	8	10		937
Amortization of intangible assets	405	13	13		431
Provision (benefit) for income taxes	2,854	92	45	(769)	2,222
Net Income (Loss)	\$ 12,137	\$ 110	\$ 83	\$	\$ 12,330

<i>(in thousands)</i>	Three Months Ended March 31, 2012				
	Community Banking	Wealth Management	Insurance	Eliminations	Consolidated
Interest income	\$ 39,101	\$ 102	\$	\$ (63)	\$ 39,140
Interest expense	5,895			(76)	5,819
Net interest income	33,206	102		13	33,321
Provision for loan losses	9,272				9,272
Noninterest income	8,828	2,412	1,421	408	13,069
Noninterest expense	26,278	2,362	1,453	1,296	31,389
Depreciation expense	948	7	13		968
Amortization of intangible assets	397	16	13		426
Provision (benefit) for income taxes	1,681	70	(21)	(875)	855
Net Income (Loss)	\$ 3,458	\$ 59	\$ (37)	\$	\$ 3,480

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 13. SALE OF MERCHANT CARD SERVICING BUSINESS

We sold our existing merchant card servicing business for \$4.8 million during the first quarter of 2013. Consequently, we terminated an agreement with our existing merchant processor and incurred a termination fee of \$1.7 million. As a result of this transaction, we recognized a gain of \$3.1 million in the first quarter of 2013. In conjunction with the sale of the merchant card servicing business, we entered into a marketing and sales alliance agreement with the purchaser for an initial term of ten years. The agreement provides that we will actively market and refer our customers to the purchaser and in return will receive a share of the future revenue. Future revenue is dependent on the number of referrals, number of new merchant accounts and volume of activity.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, represents an overview of our consolidated results of operations and financial condition and highlights material changes in our financial condition and results of operations at and for the three month periods ended March 31, 2013 and 2012. Our MD&A should be read in conjunction with our Consolidated Financial Statements and notes thereto. The results of operations reported in the accompanying Consolidated Financial Statements are not necessarily indicative of results to be expected in future periods.

Important Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates statements that we believe are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements generally relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, forecast, projected, intends to or other similar words. You should not place undue reliance on the statements, as they are subject to risks and uncertainties, including but not limited to, those described in this Form 10-Q or the documents incorporated by reference. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information actually known to us at that time. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

These forward-looking statements are based on current expectations, estimates and projections about our business and beliefs and assumptions made by management. These Future Factors, are not guarantees of our future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements.

Future Factors include:

- changes in interest rates, spreads on interest-earning assets and interest-bearing liabilities, the shape of the yield curve and interest rate sensitivity;
- a prolonged period of low interest rates;
- credit losses;
- an interruption or breach in security of our information systems;
- rapid technological developments and changes;
- access to capital in the amounts, at the times and on the terms required to support our future businesses;
- legislation affecting the financial services industry as a whole, and/or S&T Bancorp, Inc., or S&T, in particular, including the effects of the Dodd-Frank Act;

Edgar Filing: S&T BANCORP INC - Form 10-Q

regulatory supervision and oversight, including required capital levels, and public policy changes, including environmental regulations;
increasing price and product/service competition, including new entrants;
the ability to continue to introduce competitive new products and services on a timely, cost-effective basis;
deterioration of the housing market and reduced demand for mortgages;
containing costs and expenses;
reliance on large customer relationships;
the outcome of pending and future litigation and governmental proceedings;
managing our internal growth and acquisitions;
the possibility that the anticipated benefits from our acquisitions cannot be fully realized in a timely manner or at all, or that integrating future acquired operations will be more difficult, disruptive or costly than anticipated;

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
continued

general economic or business conditions, either nationally or regionally in Western Pennsylvania, may be less favorable than expected, resulting in among other things, a reduced demand for credit and other services; a deterioration in the overall macroeconomic conditions or the state of the banking industry may warrant further analysis of the carrying value of goodwill and could result in an adjustment to its carrying value resulting in a non-cash charge to net income; and a continuation of recent turbulence in significant portions of the global financial and real estate markets could impact our performance, both directly, by affecting our revenues and the value of our assets and liabilities and indirectly, by affecting the economy generally.

These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic conditions, including interest rate fluctuations and other Future Factors.

Critical Accounting Policies and Estimates

Our critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of March 31, 2013 have remained unchanged from the disclosures presented in our Annual Report on Form 10-K for the year ended December 31, 2012 under the section Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a bank holding company headquartered in Indiana, Pennsylvania with assets of \$4.5 billion at March 31, 2013. We provide a full range of financial services through offices located in Allegheny, Armstrong, Blair, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson, Washington and Westmoreland counties of Pennsylvania and one loan production office in Akron, Ohio. We provide full service retail and commercial banking products as well as cash management services, insurance, estate planning and administration, employee benefit plan investment management and administration, corporate services and other fiduciary services. Our common stock trades on the Nasdaq Global Select Market under the symbol STBA.

We earn revenue primarily from interest on loans and securities and fees charged for financial services provided to our customers. Offsetting these revenues are the cost of deposits and other funding sources, provision for loan losses and other operating costs such as: salaries and employee benefits, data processing, occupancy and tax expense.

Our mission is to become the financial services provider of choice within Western Pennsylvania. We plan to do this by delivering exceptional service and value, one customer at a time. Our strategic plan focuses on growth through expansion, acquisition or organic growth. Our strategic plan includes a collaborative model that combines expertise from all of our business segments and focuses on satisfying each customer's individual financial objectives.

During the first quarter, we successfully executed on our key strategic initiatives of loan growth and improving asset quality. Loan growth was strong at the end of 2012 and that momentum continued into the first quarter of 2013 with portfolio loans increasing \$35.4 million. This growth was primarily in our Commercial Real Estate, or CRE, Commercial and Industrial, or C&I, and residential mortgage loan portfolios. Asset quality continued to improve during the first quarter of 2013 with nonperforming assets, or NPAs, decreasing \$9.0 million, or 16 percent, from December 31, 2012.

We sold our merchant card servicing business during the first quarter resulting in a \$3.1 million gain. While this was a successful business, we determined that it would be difficult to compete in this business in the future due to intense competition and technological advances. We entered into a marketing and sales alliance agreement with the purchaser for an initial term of ten years. Future revenue is dependent on the number of referrals, number of new merchant accounts and volume of activity. We are now able to offer a more robust suite of merchant related services through our partner while maintaining a relationship with our customers.

Our capital ratios improved and remain significantly above the well capitalized thresholds of federal bank regulatory agencies, with a leverage ratio of 9.42 percent, tier 1 risk-based capital ratio of 12.20 percent and total risk based capital ratio of 15.60 percent.

Edgar Filing: S&T BANCORP INC - Form 10-Q

Our focus throughout 2013 will be on increasing loan growth to maintain our net interest margin, evaluating opportunities to increase fee income, improving asset quality and closely monitoring operating expenses. We continually strive to be well positioned for changes in both the economy and interest rates, regardless of the timing or direction of these changes. Management regularly assesses our balance sheet, capital, liquidity and operation infrastructures in order to be positioned to take advantage of internal or acquisition growth opportunities.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
continued

Earnings Summary

Net income available to common shareholders for the first quarter of 2013 was \$12.3 million resulting in diluted earnings per common share of \$0.41 compared to net income available to common shareholders of \$3.5 million or \$0.12 diluted earnings per common share in the first quarter of 2012. The improved performance was due to a decrease in the provision for loan loss, the gain on the sale of the merchant card servicing business and decreased expenses. Our provision for loan losses decreased \$7.0 million to \$2.3 million compared to \$9.3 million for the first quarter of 2012. The decrease was driven by improved asset quality including a decline in loan charge-offs and substandard and nonperforming loans. Our total noninterest income increased \$1.7 million to \$14.8 million compared to \$13.1 million in the first quarter of 2012. This increase was due to the sale of our merchant card servicing business resulting in a net gain of \$3.1 million. Securities gains decreased \$0.8 million due to the sale of one equity position in the first quarter of 2012. Our expenses decreased \$1.2 million to \$31.6 million from \$32.8 million from the first quarter of 2012. The decrease in expenses was primarily due to \$3.1 million less in merger related expenses, across various categories, that we incurred in the first quarter of 2012 compared to the first quarter of 2013. During the first quarter of 2012, we acquired Mainline, resulting in \$3.9 million of merger related expenses. This compared to \$0.8 million of merger related expenses in the first quarter of 2013 of which a majority related to the system conversion of Gateway Bank into S&T Bank. Gateway was acquired during the third quarter of 2012. Excluding the effect of merger related one-time costs, we did experience higher expenses in several categories, including salaries and employee benefits, net occupancy, other taxes and FDIC assessment as the results of the two acquisitions that occurred in 2012 were fully reflected in operations during the first quarter of 2013.

Explanation of Use of Non-GAAP Financial Measures

In addition to the results of operations presented in accordance with GAAP, management uses, and this quarterly report contains or references, certain non-GAAP financial measures, such as net interest income on a fully taxable equivalent basis and operating revenue. Management believes these non-GAAP financial measures provide information useful to investors in understanding our underlying operational performance and its business and performance trends as they facilitate comparisons with the performance of others in the financial services industry. Although management believes that these non-GAAP financial measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered an alternative to GAAP.

We believe the presentation of net interest income on a fully taxable equivalent basis ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice. Interest income per Consolidated Statements of Comprehensive Income is reconciled to net interest income adjusted to a fully taxable equivalent basis in the table below for the three months ended March 31, 2013 and 2012.

Operating revenue is the sum of net interest income and noninterest income less one-time gains/losses and securities gains/losses. In order to understand the significance of net interest income to our business and operating results, we believe it is appropriate to evaluate the significance of net interest income as a component of operating revenue.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued**RESULTS OF OPERATIONS****Three Months Ended March 31, 2013 Compared to****Three Months Ended March 31, 2012****Net Interest Income**

Our principal source of revenue is net interest income. Net interest income represents the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the average balance of interest-earning assets and interest-bearing liabilities and changes in interest rates and spreads. Maintaining consistent spreads between interest-earning assets and interest-bearing liabilities is significant to our financial performance because net interest income comprised 74 percent and 73 percent of operating revenue (net interest income plus noninterest income, excluding one-time gains/losses and security gains/losses) in the first quarter of 2013 and the first quarter of 2012, respectively. The level and mix of interest-earning assets and interest-bearing liabilities are managed by our Asset and Liability Committee, or ALCO, in order to mitigate interest rate and liquidity risks of the balance sheet. A variety of ALCO strategies were implemented, within prescribed ALCO risk parameters, to maintain an acceptable net yield on interest-earning assets (net interest margin) given the challenges of the current interest rate environment.

The interest income on interest-earning assets and the net interest margin are presented on a fully taxable-equivalent basis. The fully taxable-equivalent basis adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35 percent for each period. We believe this measure to be the preferred industry measurement of net interest income that provides a relevant comparison between taxable and non-taxable amounts.

The following table reconciles interest income and interest rates per the Consolidated Statements of Comprehensive Income to net interest income and rates adjusted to a fully taxable-equivalent basis:

<i>(dollars in thousands)</i>	For the Three Months Ended March 31,	
	2013	2012
Total interest income	\$ 37,843	\$ 39,140
Total interest expense	4,174	5,819
Net interest income per consolidated statements of comprehensive income	33,669	33,321
Adjustment to fully-taxable-equivalent basis	1,172	1,129
Net interest income (FTE) (non-GAAP)	\$ 34,841	\$ 34,450
Net interest margin	3.37%	3.57%
Adjustment to fully-taxable-equivalent basis	0.12%	0.12%
Net Interest Margin (FTE) (non-GAAP)	3.49%	3.69%

Income amounts are annualized for rate calculations.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued**Average Balance Sheet and Net Interest Income Analysis**

The following table provides information regarding the average balances, interest and yields earned on interest-earning assets and the average balances, interest and rates paid on interest-bearing liabilities:

<i>(dollars in thousands)</i>	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Balance	Income	Rate	Balance	Income	Rate
ASSETS						
Loans ⁽¹⁾⁽²⁾	\$ 3,358,099	\$ 35,730	4.32%	\$ 3,135,517	\$ 37,021	4.74%
Interest bearing deposits with banks	210,628	120	0.23%	231,241	114	0.20%
Securities/other ⁽²⁾	478,248	3,165	2.65%	381,550	3,134	3.29%
Total Interest-earning Assets	4,046,975	39,015	3.91%	3,748,308	40,269	4.31%
Noninterest-earning assets	401,396			395,577		
Total Assets	\$ 4,448,371			\$ 4,143,885		
LIABILITIES AND SHAREHOLDERS' EQUITY						
NOW/money market/savings	\$ 1,622,229	\$ 637	0.16%	\$ 1,401,848	\$ 615	0.18%
Certificates of deposit	1,043,147	2,565	1.00%	1,132,687	4,136	1.46%
Borrowed funds < 1 year	124,449	59	0.19%	112,944	57	0.20%
Borrowed funds > 1 year	120,104	913	3.08%	122,214	1,011	3.32%
Total Interest-bearing Liabilities	2,909,929	4,174	0.58%	2,769,693	5,819	0.84%
Noninterest-bearing liabilities:						
Demand deposits	925,301			809,464		
Shareholders' equity/other	613,141			564,728		
Total Liabilities and Shareholders' Equity	\$ 4,448,371			\$ 4,143,885		
Net Interest Income		\$ 34,841			\$ 34,450	
Net Yield on Interest-earning Assets⁽¹⁾			3.49%			3.69%

⁽¹⁾ For the purpose of these computations, nonaccruing loans are included in the daily average loan amounts outstanding.

⁽²⁾ Tax-exempt income is on a FTE basis, including the dividend-received deduction for equity securities, using the statutory federal corporate income tax rate of 35 percent for 2013 and 2012.

Edgar Filing: S&T BANCORP INC - Form 10-Q

Net interest income increased \$0.4 million, or 1 percent, to \$34.8 million compared to \$34.4 million in the first quarter of 2012, while net interest margin declined 20 basis points to 3.49 percent compared to 3.69 percent in the first quarter of 2012. The low interest rate environment continues to be a challenge to our net interest income and net interest margin, as earning asset rates decreased faster than our ability to offset those decreases on the funding side.

Interest income decreased \$1.3 million to \$39.0 million for the first quarter of 2013 compared to \$40.3 million in the first quarter of 2012. The decrease in interest income was primarily driven by a 42 basis point decrease in average loan yields to 4.32 percent compared to 4.74 percent in the first quarter of 2012. Partially offsetting the decrease in interest income due to the decline in average loan yields was an increase in average loans of \$222.6 million from the first quarter of 2012. Average loans increased as a result of the effect of our two acquisitions that occurred in 2012 and stronger loan demand in our commercial loan portfolio in both the fourth quarter of 2012 and the first quarter of 2013. Average securities/other increased \$96.7 million compared to the same period in the prior year; however, due to declining yields interest income was essentially unchanged. Overall, the fully taxable-equivalent yield on total interest-earning assets decreased 40 basis points to 3.91 percent in the first quarter of 2013 as compared to 4.31 percent in the same period in 2012.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued

Interest expense decreased \$1.6 million to \$4.2 million for the first quarter of 2013 compared to \$5.8 million for the first quarter of 2012. The primary driver of the decrease in interest expense was the maturities of higher costing certificates of deposits, or CDs. Average CDs decreased by \$89.5 million and NOW, money market and savings deposits increased by \$220.4 million resulting in an average interest-bearing deposit increase of \$130.8 million. The increase from \$2.7 billion in interest-bearing deposits for the first quarter of 2013 as compared to \$2.5 billion for the same period the prior year is mainly due to our two acquisitions that occurred in 2012. The cost of interest-bearing deposits was 0.49 percent, a decrease of 26 basis points from the first quarter of 2012 primarily due to the maturity of higher rate CDs and a shift to other lower costing interest-bearing deposits. Overall, the yield on interest-bearing liabilities decreased 26 basis points to 0.58 percent for the first quarter of 2013 as compared to 0.84 percent for the first quarter of 2012.

The following table sets forth for the periods indicated a summary of the changes in interest earned and interest paid resulting from changes in volume and changes in rates:

<i>(in thousands)</i>	Three Months Ended March 31, 2013		
	Compared to March 31, 2012⁽²⁾		
	Volume	Rate	Net
Interest earned on:			
Loans ⁽¹⁾	\$ 2,629	\$ (3,920)	\$ (1,291)
Interest bearing deposits with banks	(10)	16	6
Securities/other ⁽¹⁾	794	(763)	31
Total Interest-earning Assets	3,413	(4,667)	(1,254)
LIABILITIES AND SHAREHOLDERS' EQUITY			
NOW/money market/savings	97	(75)	22
Certificates of deposit	(327)	(1,244)	(1,571)
Borrowed funds < 1 year	6	(4)	2
Borrowed funds > 1 year	(17)	(81)	(98)
Total Interest-bearing Liabilities	(241)	(1,404)	(1,645)
Net Change ⁽¹⁾	\$ 3,654	\$ (3,263)	\$ 391

⁽¹⁾ Tax-exempt income is on a FTE basis using the statutory federal corporate income tax rate of 35 percent for 2013 and 2012.

⁽²⁾ The change in interest due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

Provision for Loan Losses

The provision for loan losses is the amount to be added to the allowance for loan losses, or ALL, after adjusting for charge-offs and recoveries to bring the ALL to a level considered appropriate to absorb probable losses inherent in the loan portfolio at March 31, 2013. The provision for loan losses decreased \$7.0 million to \$2.3 million compared to \$9.3 million in the first quarter of 2012. The decrease in the provision is due to

Edgar Filing: S&T BANCORP INC - Form 10-Q

improving asset quality including decreases in loan charge-offs, nonperforming loans and substandard loans. Net loan charge-offs were down significantly to \$2.9 million for the first quarter of 2013 compared to \$10.3 million for the first quarter of 2012. Nonperforming loans, or NPLs, decreased 28 percent to \$46.3 million at March 31, 2013 compared to \$64.5 million at March 31, 2012. Specific reserves were \$0.2 million compared to \$6.0 million at March 31, 2012. Substandard and special mention assets have decreased \$42.0 million, or 13 percent, from March 31, 2012. The ALL was 1.36 percent of total loans at March 31, 2013 compared to 1.49 percent at March 31, 2012. Refer to Allowance for Loan Losses later in this MD&A for additional discussion.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued**Noninterest Income**

<i>(in thousands)</i>	Three Months Ended March 31,		
	2013	2012	\$ Change
Securities gains, net	\$ 2	\$ 840	\$ (838)
Gain on sale of merchant card servicing business	3,093		3,093
Wealth management fees	2,576	2,419	157
Debit and credit card fees	2,451	2,667	(216)
Service charges on deposit accounts	2,448	2,408	40
Insurance fees	1,775	1,691	84
Mortgage banking	482	671	(189)
Other	1,979	2,373	(394)
Total Noninterest Income	\$ 14,806	\$ 13,069	\$ 1,737

Noninterest income increased \$1.7 million, or 13 percent, to \$14.8 million for the first quarter of 2013 compared to the first quarter of 2012. The primary driver of the increase was a gain on the sale of our merchant card servicing business which was offset by lower security gains and lower other noninterest income.

We sold our existing merchant card servicing business for a one-time payment of \$4.8 million and as a result incurred a termination fee of \$1.7 million from our current merchant processor resulting in a net gain of \$3.1 million. In conjunction with the sale of the merchant card servicing business, we entered into a marketing and sales alliance agreement with the purchaser. This agreement is for an initial term of ten years and provides us with a share of future revenue and incentives to refer new customers. The decrease in securities gains of \$0.8 million was the result of a sale of one equity position during the first quarter of 2012, while there were no significant sales in the first quarter of 2013. Debit and credit cards fees decreased \$0.2 million due in part to a \$0.1 million decrease in merchant interchange as a result of the sale of our merchant card servicing business. Mortgage banking income decreased \$0.2 million due to a decrease in the spread that we earn on selling these loans between the first quarter of 2012 and the first quarter of 2013. The \$0.4 million decrease in other noninterest income is primarily due to a change in our commercial loan swap valuation of \$0.2 million.

Noninterest Expense

<i>(in thousands)</i>	Three Months Ended March 31,		
	2013	2012	\$ Change
Salaries and employee benefits ⁽¹⁾	\$ 16,012	\$ 14,809	\$ 1,203
Net occupancy ⁽¹⁾	2,164	1,784	380
Data processing ⁽¹⁾	1,933	1,615	318
Furniture and equipment	1,308	1,238	70
Other taxes	999	774	225
Professional services and legal ⁽¹⁾	972	1,538	(566)
Merger related expense	810	3,914	(3,104)
FDIC assessment	776	608	168

Edgar Filing: S&T BANCORP INC - Form 10-Q

Marketing	689	742	(53)
Other noninterest expense ⁽¹⁾	5,953	5,761	192
Total Noninterest Expense	\$ 31,616	\$ 32,783	\$ (1,167)

⁽¹⁾ Excludes one-time merger related expenses.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued

Noninterest expense decreased \$1.2 million, or 3.6 percent, in the first quarter of 2013 compared to the first quarter of 2012 primarily due to a \$3.1 million decrease in merger related expenses offset by an increase of \$1.2 million in salary and employee benefit expenses. Additionally, we experienced higher expenses in several categories due to the full integration of our two acquisitions that occurred in 2012.

In the first quarter of 2013, we incurred \$0.8 million of merger related expenses for the data processing systems conversion of Gateway Bank into S&T Bank, which was a significant decrease from the first quarter of 2012 when we incurred \$3.9 million of merger related expenses related to our acquisition of Mainline. Salaries and employee benefits increased \$1.2 million from the first quarter of 2012 due to additional employees, annual merit increases and higher commissions. Approximately \$0.6 million of the increase related to the addition of new employees resulting from our two acquisitions in the prior year. Annual merit increases resulted in \$0.2 million of additional salary expense. Payroll commissions and incentives increased \$0.4 million related to increased loan production and strong performance in other business lines. Partially offsetting these increases is a decrease of \$0.2 million of pension expense compared to the first quarter of 2012. The decrease in pension expense resulted from a change in actuarial assumptions. Occupancy and other taxes increased primarily due to our two acquisitions in 2012. Data processing increased \$0.3 million related to the annual increase with our third party data processor and additional expense relating to the outsourcing of our customer statements. The increase of \$0.2 million in other noninterest expense is primarily attributable to an increase of \$0.5 million in the provision for unfunded loan commitments as construction commitments have increased, partially offset with a decrease of \$0.4 million in OREO expense. We also experienced a decrease of \$0.6 million in professional services and legal due to additional external accounting and consulting charges that were incurred in the first quarter of 2012.

Provision for Income Taxes

The provision for income taxes increased \$1.3 million to \$2.2 million for the first quarter of 2013 compared to \$0.9 million for the same period in the prior year, primarily due to a \$10.2 million increase in pre-tax income. Our effective tax rate for the first quarter of 2013 decreased to 15.3 percent as compared to 19.7 percent for the first quarter of 2012. The decrease in the effective tax rate was primarily due to increased tax-exempt interest, higher tax credits and a nonrecurring tax benefit in the first quarter of 2013.

Financial Condition**March 31, 2013**

Total assets remained at \$4.5 billion at March 31, 2013 compared to December 31, 2012. Loan production was strong this quarter resulting in an increase to total portfolio loans of \$35.4 million, or 1.1 percent. Our commercial loan portfolio grew by \$39.2 million, or 1.6 percent, to \$2.5 billion while our consumer loan portfolio decreased by \$3.8 million, or 0.4 percent, to \$931.1 million. We purchased additional securities this quarter resulting in an increase of \$17.2 million, or 3.8 percent. Our core deposit base remains stable with total deposits of \$3.6 billion at both March 31, 2013 and December 31, 2012. The \$29.0 million increase in CDs was impacted by the purchase of \$51.0 million of Certificate of Deposit Account Registry Services, or CDARS, One-Way Buy, or OWB, deposits during the first quarter of 2013. Other interest bearing deposits and noninterest bearing deposits decreased by \$18.9 million and \$9.9 million, respectively. Total shareholders' equity increased by approximately \$7.2 million compared to December 31, 2012, primarily due to net income exceeding dividends for the period.

Securities Activity

<i>(in thousands)</i>	March 31, 2013	December 31, 2012	\$ Change
Obligations of U.S. government corporations and agencies	\$ 230,763	\$ 212,066	\$ 18,697
Collateralized mortgage obligations of U.S. government corporations and agencies	51,986	57,896	(5,910)
Residential mortgage-backed securities of U.S. government corporations and agencies	47,555	50,623	(3,068)

Edgar Filing: S&T BANCORP INC - Form 10-Q

Commercial mortgage-backed securities of U.S. government corporations and agencies	21,648	10,158	11,490
Obligations of states and political subdivisions	108,511	112,767	(4,256)
Debt Securities Available-for-Sale	460,463	443,510	16,953
Marketable equity securities	8,955	8,756	199
Total Securities Available-for-Sale	\$ 469,418	\$ 452,266	\$ 17,152

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued

We invest in various securities in order to provide a source of liquidity, to satisfy various pledging requirements, increase net interest income and as a tool of the ALCO to reposition the balance sheet for interest rate risk purposes. Securities are subject to market risks that could negatively affect the level of liquidity available to us. Risks associated with various securities are managed and monitored by investment policies approved annually by our Board of Directors and administered through ALCO and our treasury function. The securities portfolio increased \$17.2 million, or 3.8 percent, from December 31, 2012. The increase is due to the redeployment of cash into higher yielding assets.

On a quarterly basis, management evaluates the securities portfolios for other than temporary impairment, or OTTI, in accordance with the applicable accounting guidance for investments reported at fair value. There were no impairment charges in the first quarter of 2013.

Loan Composition

<i>(dollars in thousands)</i>	March 31, 2013		December 31, 2012	
	Amount	% of Loans	Amount	% of Loans
Commercial				
Commercial real estate	\$ 1,479,796	43.8%	\$ 1,452,133	43.4%
Commercial and industrial	806,205	23.8%	791,396	23.7%
Construction	164,874	4.9%	168,143	5.0%
Total Commercial Loans	2,450,875	72.5%	2,411,672	72.1%
Consumer				
Residential mortgage	442,705	13.1%	427,303	12.7%
Home equity	416,524	12.3%	431,335	12.9%
Installment and other consumer	68,773	2.0%	73,875	2.2%
Construction	3,105	0.1%	2,437	0.1%
Total Consumer Loans	931,107	27.5%	934,950	27.9%
Total Portfolio Loan	3,381,982	100.0%	3,346,622	100.0%
Loans Held for Sale	2,580		22,499	
Total Loans	\$ 3,384,562		\$ 3,369,121	

The loan portfolio represents the most significant source of interest income for us. The risk that borrowers will be unable to pay such obligations is inherent in the loan portfolio. Other conditions such as the overall economic climate can significantly impact a borrower's ability to pay. Total portfolio loans increased \$35.4 million, or 1.1 percent, to \$3.4 billion at March 31, 2013 primarily due to organic loan growth in our CRE, C&I and residential loan portfolios. The increase in loans can be attributed to the execution of our strategic initiative to grow our loan portfolio by adding seasoned lenders to our staff and expanding our footprint into Northeast Ohio. During the first quarter of 2013, we added three lenders to our staff and we continue to actively recruit seasoned lenders. Additionally, the loan production office that we established in Northeast Ohio in the third quarter of 2012 is performing ahead of our expectations and we are in process of recruiting additional lenders in that market.

Edgar Filing: S&T BANCORP INC - Form 10-Q

Total commercial loans have increased \$39.2 million, or 1.6 percent, from December 31, 2012. CRE increased \$27.7 million, or 1.9 percent, due to new loan originations and the transfers of construction loans. C&I loans increased \$14.8 million, or 1.9 percent, due to new loan originations and increased utilization of lines of credit. Construction loans decreased \$3.3 million as loan payoffs and transfers to CRE outpaced new loan originations.

Although commercial loans, including CRE, C&I and construction, can have a relatively higher risk profile, management believes these risks are mitigated through active portfolio management, underwriting and continuous review. The loan-to-value policy guidelines for CRE loans are generally 65-85 percent.

Residential mortgages increased \$15.4 million, or 3.6 percent, due to loan originations outpacing paydowns. In addition, we are retaining 10, 15 and 20 year residential real estate loans in our portfolio rather than selling these loans in the secondary market. Prior to the fourth quarter of 2012, we were selling 20 and 30 year mortgages. Home equity has decreased \$14.8 million, or 3.4 percent, as payoffs have outpaced new loan originations.

Loans held for sale decreased \$19.9 million due to a participation loan that was in process at December 31, 2012.

Residential mortgage lending continues to be a strategic focus through a centralized mortgage origination department, ongoing product redesign, secondary market activities and the utilization of commission compensated originators. Management believes that continued adherence to our conservative mortgage lending policies for portfolio loans will be as important in a gradually growing economy as it was during the downturn in recent years. The loan-to-value policy guideline is 80 percent for residential first lien mortgages. We may approve higher loan-to-value loans but generally with the appropriate private mortgage insurance coverage. Second lien positions may be assumed with home equity loans, but normally only to the extent that the combined credit exposure for both the first and second liens does not exceed 100 percent of the estimated fair value of the property. Portfolio loans require a maximum term of 20 years for traditional mortgages and 15 years with a maximum amortization term of 30 years for balloon payment mortgages. Balloon mortgages with terms of 10 years or less may have a maximum amortization term for up to 40 years. Combo mortgage loans consisting of a residential first mortgage and a home equity second mortgage are also available to creditworthy borrowers. We also originate and price loans for sale into the secondary market, primarily to Fannie Mae.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
continued

We designate specific lower-yielding 1-4 family mortgages, generally those with over 20 year terms, to sell. The rationale for these sales is to mitigate interest-rate risk associated with holding lower rate, long-term residential mortgages in the loan portfolio, generate fee revenue from sales and servicing and maintain the primary customer relationship. During the fourth quarter of 2012, we began to retain within the loan portfolio 20 year mortgages that had been priced and underwritten using secondary market terms and guidelines. During the second quarter of 2011, we began to retain 10 and 15 year mortgages in our portfolio. During the three months ended March 31, 2013 and 2012, we sold \$17.5 million and \$18.0 million, respectively, of 1-4 family mortgages and currently service \$326.1 million of secondary market mortgage loans to Fannie Mae at March 31, 2013. We intend to continue to sell 30 year loans to Fannie Mae in the future, especially during periods of lower interest rates.

Allowance for Loan Losses

We maintain an ALL at a level determined to be adequate to absorb estimated probable credit losses inherent within the loan portfolio as of the balance sheet date. Determination of an adequate ALL is subjective, as it requires estimations of the occurrence of future events, as well as the timing of such events, and it may be subject to significant changes from period to period. We continuously monitor our ALL methodology to ensure that it is responsive to the current economic environment. The ALL methodology for groups of homogeneous loans, known as the general reserve, is comprised of both a quantitative and qualitative analysis. Due to the economic environment over the past two years, we used a relatively shorter time horizon of four quarters to calculate our historic loss rates for all loan portfolios. Given that the credit quality has been improving in recent periods, the historic loss rates in certain portfolios have been decreasing to rates below what we believe is reflective of the inherent losses within these portfolios. As such, during the first quarter of 2013 we have lengthened the historic loss calculation for our CRE & C&I portfolios to consider eight quarters. After consideration of the loss calculations, management applies additional qualitative adjustments so that the ALL is reflective of the inherent losses that exist in the loan portfolio at the balance sheet date. The evaluation of the various components of the ALL requires considerable judgment in order to estimate inherent loss exposures.

The methodology for determining the ALL has two main components: evaluation and impairment tests of individual loans and evaluation of certain groups of homogeneous loans with similar risk characteristics.

An inherent risk to the loan portfolio as a whole is the condition of the local economy. In addition, each loan segment carries with it risks specific to the segment. The following is a discussion of the key risks by portfolio segment that management assesses in preparing the ALL.

CRE loans are secured by commercial purpose real estate, including both owner occupied properties and investment properties for various purposes such as hotels, strip malls and apartments. Individual project cash flows, as well as global cash flows, are generally the sources of repayment for these loans. Besides cash flow risks, CRE loans have collateral risk and risks based upon the business prospects of the lessee, if the project is not owner occupied.

C&I loans are made to operating companies or manufacturers for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing. Collateral for these types of loans often do not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt. Cash flow from the operations of the company is the primary source of repayment for these loans and the cash flow depends not only on the economy as a whole, but also on the health of the company's industry.

Commercial construction loans are 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 is generally confined to the construction and absorption periods, if there are problems, the project may not be completed, 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. There are also various risks depending on the type of project and the experience and resources of the developer.

Consumer real estate loans are secured by 1-4 family residences, including purchase money mortgages, first and second lien home equity loans and home equity lines of credit. The primary source of repayment for these loans is the income and assets of the borrower. The unemployment rate, as well as the state of the local housing market, had a significant impact on the risk determination since low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy the debt.

Edgar Filing: S&T BANCORP INC - Form 10-Q

Other consumer loans are made to individuals and may be secured by assets other than 1-4 family residences, or may be unsecured. This class of loans includes auto loans, unsecured lines and credit cards. The primary source of repayment for these loans is the income and assets of the borrower so the local unemployment rate is an important indicator of risk. The value of the collateral, if there is any, is less likely to be a source of repayment due to less certain collateral values.

Significant to our ALL is a higher mix of commercial loans. At March 31, 2013, approximately 87 percent of the ALL is related to the commercial loan portfolio, while commercial loans comprise 73 percent of our loan portfolio. Commercial loans have been more impacted by the economic slowdown in our markets. The ability of customers to repay commercial loans is more dependent upon the success of their business, continuing income and general economic conditions. Accordingly, the risk of loss is higher on such loans compared to consumer loans, which have incurred lower losses in our market.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued

The following tables summarize the ALL and recorded investments in loans by category as of the dates presented:

<i>(in thousands)</i>	Allowance for Loan Losses		March 31, 2013		Portfolio Loans		Total
	Individually	Collectively	Total	Individually	Collectively	Total	
	Evaluated for Impairment	Evaluated for Impairment		Evaluated for Impairment	Evaluated for Impairment		
Commercial real estate	\$ 171	\$ 24,271	\$ 24,442	\$ 35,224	\$ 1,444,572	\$ 1,479,796	
Commercial and industrial		8,676	8,676	12,131	794,074	806,205	
Commercial construction		6,603	6,603	16,939	147,935	164,874	
Consumer real estate		5,259	5,259	9,399	852,935	862,334	
Other consumer		956	956	96	68,677	68,773	
Total	\$ 171	\$ 45,765	\$ 45,936	\$ 73,789	\$ 3,308,193	\$ 3,381,982	

<i>(in thousands)</i>	Allowance for Loan Losses		December 31, 2012		Portfolio Loans		Total
	Individually	Collectively	Total	Individually	Collectively	Total	
	Evaluated for Impairment	Evaluated for Impairment		Evaluated for Impairment	Evaluated for Impairment		
Commercial real estate	\$ 1,226	\$ 24,020	\$ 25,246	\$ 39,994	\$ 1,412,139	\$ 1,452,133	
Commercial and industrial	1,002	6,757	7,759	13,283	778,113	791,396	
Commercial construction	3	7,497	7,500	18,512	149,631	168,143	
Consumer real estate		5,058	5,058	10,827	850,248	861,075	
Other consumer		921	921	25	73,850	73,875	
Total	\$ 2,231	\$ 44,253	\$ 46,484	\$ 82,641	\$ 3,263,981	\$ 3,346,622	

	March 31, 2013	December 31, 2012
Ratio of net charge-offs to average loans outstanding	0.34%*	0.78%
Allowance for loan losses as a percentage of total loans	1.36%	1.38%
Allowance for loan losses to nonperforming loans	99%	85%

* Annualized

The balance in the ALL decreased \$0.6 million to \$45.9 million, or 1.36 percent, of total loans at March 31, 2013 as compared to \$46.5 million, or 1.38 percent, of total loans at December 31, 2012. The slight decline in the ALL was due to a decrease in specific reserves for loans individually evaluated for impairment of \$2.1 million offset by an increase in the reserve for loans collectively evaluated for impairment of \$1.5 million. Specific reserves declined during the period as we charged off \$2.0 million of the specific reserves that existed at December 31, 2012. There were no new impaired loans during the first quarter requiring a specific reserve. The general reserve increased \$1.5 million primarily due

Edgar Filing: S&T BANCORP INC - Form 10-Q

to an increase in the C&I reserve of \$1.9 million due to higher calculated historic loss rates. The commercial construction reserve decreased \$0.9 million primarily due to a decrease in volume of special mention construction loans.

Overall asset quality continued to improve with decreases in loan charge-offs, NPLs and special mention and substandard loans from December 31, 2012. Net loan charge-offs for the first quarter of 2013 were \$2.9 million compared to net charge-offs of \$4.0 million in the fourth quarter of 2012. Substandard and special mention loans also decreased \$48.0 million, or 14 percent, to \$289.3 million from \$337.1 million at December 31, 2012.

We determine loans 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. Troubled debt restructurings, or TDRs, whether on accrual or nonaccrual status, are also classified as impaired loans. TDRs are loans where we, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that we would not otherwise consider. These modified terms generally include extensions of maturity dates at a stated interest rate lower than the current market rate for a new loan with similar risk characteristics, reductions in contractual interest rates, principal forgiveness and principal deferment. Generally these concessions are for a period of at least six months. Additionally, we classify loans where the debt obligation has been discharged through a Chapter 7 Bankruptcy and not reaffirmed by the borrower as TDRs.

TDRs can be returned to accruing status if the following criteria are met: 1) the ultimate collectability of all contractual amounts due, according to the restructured agreement, is not in doubt and 2) there is a period of a minimum of six months of satisfactory payment performance by the borrower either immediately before or after the restructuring. All TDRs are considered to be impaired loans and will be reported as impaired loans for their remaining lives, 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 we fully expected that the remaining principal and interest will be collected according to the restructured agreement. All impaired loans are reported as nonaccrual loans unless the loan is a TDR that has met the requirements noted above to be returned to accruing status.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
continued

As an example consider a substandard commercial construction loan that is currently 90 days past due where the loan is restructured to extend the maturity date for a period longer than would be considered an insignificant period of time. The post-modification interest rate is not increased to correspond with the current credit risk of the borrower, and all other terms remain the same according to the original loan agreement. This loan will be considered a TDR as the borrower is experiencing financial difficulty and a concession has been granted. The loan will be reported as nonaccrual status and as an impaired loan and a TDR. In addition, the loan could be charged down to the fair value of the collateral if a confirmed loss exists. If the loan subsequently performs, by means of making on-time principal and interest payments according to the newly restructured terms for a period of six months, and it is expected that all remaining principal and interest will be collected according to the terms of the restructured agreement, the loan will be returned to accrual status and reported as an accruing TDR. The loan will remain an impaired loan for the remaining life of the loan since the interest rate was not adjusted to be equal to or greater than the rate that would be accepted at the time of the restructuring for a new loan with the comparable risk of a longer term.

As of March 31, 2013, we had \$56.2 million in total TDRs, including \$41.4 million that were accruing and \$14.8 were on nonaccrual. During the first quarter of 2013 we had \$3.0 million of new TDRs which were primarily a result of a bankruptcy filings resulting in discharged debt or the restructuring of payment terms. During the first quarter of 2013, we had one TDR for \$0.2 million that met the above requirements for being placed back into accrual status.

The charge-off policy for commercial loans requires that loans and other obligations that are not collectible be promptly charged-off in the month the loss becomes probable, regardless of the delinquency status of the loan. We may elect to recognize a partial charge-off when management has determined that the value of collateral is less than the remaining investment in the loan. A loan or obligation does not need to be charged-off, regardless of delinquency status, if (i) management has determined there exists sufficient collateral to protect the remaining loan balance and (ii) there exists a strategy to liquidate the collateral. Management may also consider a number of other factors to determine when a charge-off is appropriate. These factors may include, but are not limited to:

- The status of a bankruptcy proceeding
- The value of collateral and probability of successful liquidation; and/or
- The status of adverse proceedings or litigation that may result in collection

Consumer unsecured loans and secured loans that are not real estate secured are evaluated for charge-off after the loan becomes 90 days past due. Unsecured loans are fully charged-off and secured loans are charged-off to the estimated fair value of the collateral less the cost to sell. Consumer loans secured by real estate are evaluated for charge-off after the loan balance becomes 90 days past due and are charged down to the estimated fair value of the collateral less cost to sell.

Our allowance for lending-related commitments is computed using a methodology similar to that used to determine the ALL. Amounts are added to the allowance for lending-related commitments by a charge to current earnings through noninterest expense. The balance in the allowance for lending-related commitments increased to \$3.7 million at March 31, 2013 as compared to \$3.0 million at December 31, 2012 due to the increase in the volume of commitments. The allowance for lending-related commitments is included in other liabilities in the Consolidated Balance Sheets.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued

Nonperforming assets consist of nonaccrual loans, nonaccrual TDRs and OREO. The following summarizes nonperforming assets for the periods presented:

<i>(in thousands)</i>	March 31, 2013	December 31, 2012	\$ Change
Nonaccrual Loans			
Commercial real estate	\$ 18,891	\$ 20,972	\$ (2,081)
Commercial and industrial	4,078	5,496	(1,418)
Commercial construction	525	1,454	(929)
Residential mortgage	4,160	4,526	(366)
Home equity	3,621	3,312	309
Installment and other consumer	21	40	(19)
Consumer construction	218	218	
Total Nonaccrual Loans	31,514	36,018	(4,504)
Nonaccrual Troubled Debt Restructurings			
Commercial real estate	6,945	9,584	(2,639)
Commercial and industrial	1,302	939	363
Commercial construction	4,645	5,324	(679)
Residential mortgage	1,483	2,752	(1,269)
Home equity	401	341	60
Total Nonaccrual Troubled Debt Restructurings	14,776	18,940	(4,164)
Total Nonperforming Loans	46,290	54,958	(8,668)
OREO	627	911	(284)
Total Nonperforming Assets	\$ 46,917	\$ 55,869	\$ (8,952)

Asset Quality Ratios:

Nonperforming loans as a percent of total loans	1.37%	1.63%
Nonperforming assets as a percent of total loans plus OREO	1.39%	1.66%

Our policy is to place loans in all categories on nonaccrual status when collection of interest or principal is doubtful, or generally when interest or principal payments are 90 days or more past due. There were no loans 90 days or more past due and still accruing at March 31, 2013 or December 31, 2012.

NPAs decreased to \$46.9 million compared to \$55.9 million in the prior quarter. The significant decline is related to \$6.3 million in NPL payoffs and \$4.1 million in loan charge-offs. New NPL formation decreased to \$2.3 million during the first quarter which was down from almost \$6.0 million in the fourth quarter of 2012.

Deposits

Edgar Filing: S&T BANCORP INC - Form 10-Q

<i>(in thousands)</i>	March 31, 2013	December 31, 2012	\$ Change
Noninterest-bearing demand	\$ 951,050	\$ 960,980	\$ (9,930)
Interest-bearing demand	304,667	316,760	(12,093)
Money market	326,489	361,233	(34,744)
Savings	993,472	965,571	27,901
Certificates of deposit	1,062,886	1,033,884	29,002
Total Deposits	\$ 3,638,564	\$ 3,638,428	\$ 136

Deposits are a primary source of funds for us. We believe that our deposit base is stable and that we have the ability to attract new deposits, mitigating a funding dependency on other more volatile sources. We participate in the Certificate of Deposit Account Registry Services, or CDARS, reciprocal and One-Way Buy, or OWB programs. The reciprocal program allows our customers to receive expanded Federal Deposit Insurance Corporation, or FDIC, coverage by placing multiple certificates of deposit at other CDARS member banks. We maintain deposits by accepting certificates of deposits from customers of CDARS member banks in the exact amount as our customers placed. Reciprocal deposits provide a stable and cost-effective source of funds with rates generally lower than traditional brokered deposits. Although reciprocal deposits are considered brokered under existing law, they tend to act more like core deposits, since we retain valuable customer relationships. We had \$11.1 million and \$9.8 million in CDARS reciprocal deposits at March 31, 2013 and December 31, 2012, respectively. We can also access the CDARS network to accept brokered certificates of deposit that are a part of the OWB program, which allows us to obtain large blocks of wholesale funding. Through the OWB program, funding is effectively purchased from insured depository institutions that are members of the CDARS deposit placement service. As of March 31, 2013 and December 31, 2012, we had \$51.0 million and \$1.9 million respectively in the CDARS OWB program.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued

The issuance of brokered retail certificates of deposit and participation in the CDARS program is an ALCO strategy to increase and diversify funding sources.

Total deposits as of March 31, 2013 remained relatively unchanged from December 31, 2012. The low interest rate environment had an impact on our overall deposit mix as CD maturities shifted into our savings products. Offsetting this shift was \$51.0 million of CDARS OWB deposits at March 31, 2013. Money market deposits decreased as our Wealth Management division shifted assets under management into higher earning investments for their clients. CDs of \$100,000 and over were 11 percent and 10 percent of total deposits at March 31, 2013 and at December 31, 2012 respectively and primarily represent deposit relationships with local customers in our market area.

Borrowings

<i>(in thousands)</i>	March 31, 2013	December 31, 2012	\$ Change
Securities sold under repurchase agreements, retail	\$ 64,358	\$ 62,582	\$ 1,776
Short-term borrowings	50,000	75,000	(25,000)
Long-term borrowings	23,535	34,101	(10,566)
Junior subordinated debt securities	90,619	90,619	
Total Borrowings	\$ 228,512	\$ 262,302	\$ (33,790)

Borrowings are an additional source of funding for us. Borrowings decreased \$33.8 million from December 31, 2012. During the first quarter, we paid down short-term maturing borrowings of \$25.0 million with the Federal Home Loan Bank which were replaced with deposits through the CDARS program. We had \$10 million of long-term borrowings mature during the first quarter at an average interest rate of 3.49 percent.

Liquidity and Capital Resources

Liquidity is defined as a financial institution's ability to meet its cash and collateral obligations at a reasonable cost. This includes the ability to satisfy the financial needs of depositors who want to withdraw funds or of borrowers needing to access funds to meet their credit needs. Liquidity risk management involves monitoring and maintaining sufficient levels of a diverse set of funding sources that are available for normal operations and for unanticipated stress events. In order to manage liquidity risk our Board of Directors has delegated authority to the ALCO for formulation, implementation and oversight of liquidity risk management. ALCO's goal is to maintain adequate levels of liquidity to meet our funding needs in both a normal operating environment and for potential liquidity stress events.

Our primary funding and liquidity source is a stable deposit base. We believe that the bank has the ability to retain existing and attract new deposits, mitigating a funding dependency on other more volatile sources. Although deposits are the primary source of funds, we have identified various funding sources that can be used as part of our normal funding program when either a structure or cost efficiency has been identified. These funding sources include a cushion of highly liquid assets, borrowing availability at the FHLB, Federal Funds lines with other financial institutions and access to the brokered certificates of deposit market including CDARS OWB deposits.

Since the beginning of the financial industry crisis in 2008, monitoring and maintaining appropriate liquidity levels has become a focus of regulators, bankers and investors. ALCO has enhanced the measurement, monitoring and reporting systems for liquidity risk management for potential liquidity stress events. Specific focus has been on maintaining an adequate level of asset liquidity, performing short-term and long-term stress tests and developing a more detailed contingency funding plan. We also work to ensure access to various wholesale funding sources is available, even in a stress event.

Edgar Filing: S&T BANCORP INC - Form 10-Q

ALCO uses a variety of ratios and reports to monitor our liquidity position. ALCO monitors an asset liquidity ratio, which is defined as the sum of interest-bearing deposits with banks, unpledged securities and loans held for sale to total assets. In addition to the asset liquidity ratio, ALCO reviews cash flow projections, a liquidity coverage ratio and various balance sheet liquidity ratios. ALCO policy guidelines are in place for each ratio that defines graduated risk tolerance levels. If a ratio moves to high risk, specific actions are defined, such as increased monitoring or the development of an action plan to reduce the risk position.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
continued

The following summarizes risk-based capital amounts and ratios for S&T Bancorp, Inc. and S&T Bank:

<i>(dollars in thousands)</i>	Adequately Capitalized (1)	Well- Capitalized (2)	March 31, 2013 Amount	Ratio	December 31, 2012 Amount	Ratio
S&T Bancorp, Inc.						
Tier 1 leverage	4.00%	5.00%	\$ 400,601	9.42%	\$ 392,506	9.31%
Tier 1 capital to risk-weighted assets	4.00%	6.00%	400,601	12.20%	392,506	11.98%
Total capital to risk-weighted assets	8.00%	10.00%	512,386	15.60%	504,041	15.39%
S&T Bank						
Tier 1 leverage	4.00%	5.00%	\$ 366,039	8.64%	\$ 343,331	8.45%
Tier 1 capital to risk-weighted assets	4.00%	6.00%	366,039	11.21%	343,331	10.88%
Total capital to risk-weighted assets	8.00%	10.00%	476,986	14.61%	452,906	14.35%

⁽¹⁾ For an institution to qualify as adequately capitalized under regulatory guidelines, total risk-based capital, Tier I risk-based capital and Tier I capital to average asset ratios must be at least 8 percent, 4 percent and 4 percent respectively. At March 31, 2013, we exceeded those requirements.

⁽²⁾ For an institution to qualify as well capitalized under regulatory guidelines, total risk-based capital, Tier I risk-based capital and Tier I capital to average asset ratios must be at least 10 percent, 6 percent and 5 percent respectively. At March 31, 2013, we exceeded those requirements.

In October 2012, we filed a shelf registration statement on Form S-3 under the Securities Act of 1933 as amended, with the SEC for the issuance of up to \$300 million of a variety of securities including, debt and capital securities, preferred and common stock and warrants. We may use the proceeds from the sale of securities for general corporate purposes, which could include investments at the holding company level, investing in, or extending credit to subsidiaries, possible acquisitions and stock repurchases. As of March 31, 2013, we had not issued any securities pursuant to the shelf registration statement.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is defined as the degree to which changes in interest rates, foreign exchange rates, commodity prices or equity prices can adversely affect a financial institution's earnings or capital. For most financial institutions, including S&T, market risk primarily reflects exposures to changes in interest rates. Interest rate fluctuations affect earnings by changing net interest income and other interest-sensitive income and expense levels. Interest rate changes affect capital by changing the net present value of a bank's future cash flows, and the cash flows themselves, as rates change. Accepting this risk is a normal part of banking and can be an important source of profitability and shareholder value. However, excessive interest rate risk can threaten banks' earnings, capital, liquidity and solvency. Our sensitivity to changes in interest rate movements are continually monitored by ALCO. ALCO monitors and manages market risk through rate shock analyses, economic value of equity, or EVE, analysis and simulations in order to avoid unacceptable earnings and market value fluctuations due to changes in interest rates.

Rate shock analyses results are compared to a base case to provide an estimate of the impact that market rate changes may have on 12 months of pretax net interest income. The base case and rate shock analyses are performed on a static balance sheet. A static balance sheet is a no growth balance sheet in which all maturing and/or repricing cash flows are reinvested in the same product at the existing product spread. Rate shock analyses also assume an immediate parallel shift in market interest rates. Assumptions are currently modified in the decreasing rate shock

Edgar Filing: S&T BANCORP INC - Form 10-Q

analyses due to the very low level of interest rates. Rate shock analyses also incorporate management assumptions regarding the level of interest rate changes on non-maturity deposit products (noninterest-bearing demand, interest-bearing demand, money market and savings) and changes in the prepayment behavior of fixed rate loans and securities with optionality. S&T policy guidelines limit the change in pretax net interest income over a 12 month horizon using rate shocks of +/- 300 basis points. Policy guidelines define the percent change in pretax net interest income by graduated risk tolerance levels of minimal, moderate and high.

In order to monitor interest rate risk beyond the 12 month time horizon of rate shocks, we also perform EVE analysis. EVE represents the present value of all asset cash flows minus the present value of all liability cash flows. As with rate shock analysis, EVE incorporates management assumptions regarding prepayment behavior of fixed rate loans and securities with optionality and core deposit behavior and value. S&T policy guidelines limit the change in EVE given changes in rates of +/- 300 basis points. Policy guidelines define the percent change in EVE by graduated risk tolerance levels of minimal, moderate and high.

Table of Contents**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK** continued

The table below reflects the rate shock analyses and EVE results. Both are in the minimal risk tolerance level.

Change in Interest Rate (basis points)	March 31, 2013		December 31, 2012	
	% Change in Pretax Net Interest Income	% Change in Economic Value of Equity	% Change in Pretax Net Interest Income	% Change in Economic Value of Equity
+300	9.6	20.0	8.2	23.2
+200	6.0	14.6	5.0	16.8
+100	2.5	8.0	2.0	9.1
- 100	(2.9)	(10.1)	(2.4)	(9.7)
- 200	(5.6)	(9.9)	(5.1)	(7.5)
- 300	(7.3)	(9.3)	(6.7)	(6.8)

The results from the rate shock and EVE analyses are consistent with having an asset sensitive balance sheet. Having an asset sensitive balance sheet means more assets than liabilities will reprice during the measured time frames. The implications of an asset sensitive balance sheet will differ depending upon the change in market interest rates. For example, with an asset sensitive balance sheet in a declining interest rate environment, more assets than liabilities will decrease in rate. This situation could result in a decrease in net interest income and operating income. Conversely, with an asset sensitive balance sheet in a rising interest rate environment, more assets than liabilities will increase in rate. This situation could result in an increase in net interest income and operating income. There was not a material change in our asset sensitive balance sheet position when comparing March 31, 2013 and December 31, 2012.

In addition to rate shocks and EVE, simulations are performed periodically to assess the sensitivity of scenario assumptions on pretax net interest income. Simulation analyses most often test for sensitivity to yield curve shape and slope changes, severe rate shocks, changes in prepayment assumptions and significant balance mix changes. Simulations indicate that an increase in rates, particularly if the yield curve steepens, will most likely result in an improvement in pretax net interest income. We realize that some of the benefit reflected in our scenarios may be offset by a change in the competitive environment and a change in product preference by our customers

Item 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of S&T's Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO (its principal executive officer and principal financial officer, respectively), management has evaluated the effectiveness of the design and operation of S&T's disclosure controls and procedures as of March 31, 2013. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission, or the SEC, and that such information is accumulated and communicated to S&T's management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Edgar Filing: S&T BANCORP INC - Form 10-Q

Based on and as of the date of such evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective in all material respects, as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2013, there were no changes made to S&T's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, S&T's internal control over financial reporting.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 1A. Risk Factors

There have been no material changes to the risk factors that we have previously disclosed in Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on February 25, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

31.1 Rule 13a-14(a) Certification of the Chief Executive Officer.

31.2 Rule 13a-14(a) Certification of the Chief Financial Officer.

32 Rule 13a-14(b) Certification of the Chief Executive Officer and Chief Financial Officer.

101 The following financial information from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 is formatted in eXtensible Business Reporting Language (XBRL): (i) Unaudited Consolidated Balance Sheets at March 31, 2013 and December 31, 2012, (ii) Unaudited Consolidated Statements of Comprehensive Income for the Three Months ended March 31, 2013 and 2012, (iii) Unaudited Consolidated Statements of Changes in Shareholders' Equity for the Three Months ended March 31, 2013 and 2012 and (iv) Unaudited Consolidated Statements of Cash Flows for the Three Months ended March 31, 2013 and 2012 and (iv) Notes to Unaudited Consolidated Financial Statements.*

* This exhibit is furnished and will not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

S&T Bancorp, Inc.

(Registrant)

Date: April 30, 2013

/s/ Mark Kochvar
Mark Kochvar

Senior Executive Vice President and

Chief Financial Officer

(Principal Financial Officer and Duly Authorized Signatory)

47