S&T BANCORP INC
Form 10-Q
May 06, 2015

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from To

Commission file number 0-12508

S&T BANCORP, INC.
(Exact name of registrant as specified in its charter)

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

800-325-2265
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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

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

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

| | |
|---|---|
| Large accelerated filer x | 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 x

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, $2.50 Par Value - 34,796,390 shares as of April 30, 2015

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S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (dollars in thousands, except per share data) | March 31, 2015 (Unaudited) | December 31, 2014 (Audited) |
|---|---|---|
| ASSETS | | |
| Cash and due from banks, including interest-bearing deposits of $69,110 and $57,048 at March 31, 2015 and December 31, 2014 | $124,737 | $109,580 |
| Securities available-for-sale, at fair value | 655,829 | 640,273 |
| Loans held for sale | 6,126 | 2,970 |
| Portfolio loans, net of unearned income | 4,683,698 | 3,868,746 |
| Allowance for loan losses | (48,106) | (47,911) |
| Portfolio loans, net | 4,635,592 | 3,820,835 |
| Bank owned life insurance | 78,738 | 62,252 |
| Premises and equipment, net | 49,660 | 38,166 |
| Federal Home Loan Bank and other restricted stock, at cost | 19,729 | 15,135 |
| Goodwill | 290,617 | 175,820 |
| Other intangible assets, net | 7,996 | 2,631 |
| Other assets | 102,269 | 97,024 |
| Total Assets | $5,971,293 | $4,964,686 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing demand | $1,177,623 | $1,083,919 |
| Interest-bearing demand | 686,546 | 335,099 |
| Money market | 617,609 | 376,612 |
| Savings | 1,073,755 | 1,027,095 |
| Certificates of deposit | 1,272,998 | 1,086,117 |
| Total Deposits | 4,828,531 | 3,908,842 |
| Securities sold under repurchase agreements | 46,721 | 30,605 |
| Short-term borrowings | 199,573 | 290,000 |
| Long-term borrowings | 18,838 | 19,442 |
| Junior subordinated debt securities | 50,619 | 45,619 |
| Other liabilities | 64,753 | 61,789 |
| Total Liabilities | 5,209,035 | 4,356,297 |
| SHAREHOLDERS' EQUITY | | |
| Common stock ($2.50 par value) | | |
| Authorized—50,000,000 shares | | |
| Issued—36,130,480 shares at March 31, 2015 and 31,197,365 at December 31, 2014 | 90,326 | 77,993 |
| Outstanding—34,797,526 shares at March 31, 2015 and 29,796,397 shares at December 31, 2014 | | |
| Additional paid-in capital | 209,150 | 78,818 |
| Retained earnings | 509,575 | 504,060 |
| Accumulated other comprehensive income (loss) | (10,028) | (13,833) |
| Treasury stock (1,332,954 shares at March 31, 2015 and 1,400,968 shares at December 31, 2014, at cost) | (36,765) | (38,649) |
| Total Shareholders' Equity | 762,258 | 608,389 |
| Total Liabilities and Shareholders' Equity | $5,971,293 | $4,964,686 |

See Notes to Consolidated Financial Statements

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

| | Three Months Ended March 31, | |
|---|---|---|
| (dollars in thousands, except per share data) | 2015 | 2014 |
| INTEREST INCOME | | |
| Loans, including fees | $39,927 | $35,649 |
| Investment Securities: | | |
| Taxable | 2,383 | 1,900 |
| Tax-exempt | 1,020 | 929 |
| Dividends | 586 | 187 |
| Total Interest Income | 43,916 | 38,665 |
| INTEREST EXPENSE | | |
| Deposits | 3,007 | 2,510 |
| Borrowings and junior subordinated debt securities | 650 | 564 |
| Total Interest Expense | 3,657 | 3,074 |
| NET INTEREST INCOME | 40,259 | 35,591 |
| Provision for loan losses | 1,207 | 289 |
| Net Interest Income After Provision for Loan Losses | 39,052 | 35,302 |
| NONINTEREST INCOME | | |
| Securities gains, net | — | 1 |
| Wealth management fees | 2,923 | 2,955 |
| Debit and credit card fees | 2,715 | 2,502 |
| Service charges on deposit accounts | 2,583 | 2,509 |
| Insurance fees | 1,651 | 1,677 |
| Mortgage banking | 525 | 132 |
| Other | 1,687 | 1,640 |
| Total Noninterest Income | 12,084 | 11,416 |
| NONINTEREST EXPENSE | | |
| Salaries and employee benefits | 16,780 | 15,376 |
| Net occupancy | 2,588 | 2,230 |
| Data processing | 2,320 | 2,095 |
| Furniture and equipment | 1,226 | 1,271 |
| Other taxes | 842 | 631 |
| Marketing | 816 | 618 |
| FDIC insurance | 695 | 631 |
| Professional services and legal | 523 | 663 |
| Merger related expenses | 2,301 | — |
| Other | 5,530 | 5,399 |
| Total Noninterest Expense | 33,621 | 28,914 |
| Income Before Taxes | 17,515 | 17,804 |
| Provision for income taxes | 4,680 | 3,771 |
| Net Income | $12,835 | $14,033 |
| Earnings per share—basic | $0.41 | $0.47 |
| Earnings per share—diluted | $0.41 | $0.47 |
| Dividends declared per share | $0.18 | $0.16 |
| Comprehensive Income | $16,640 | $17,079 |

See Notes to Consolidated Financial Statements

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S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

| (dollars in thousands, except shares and per share data) | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2014 | $77,993 | $78,140 | $468,158 | $ (12,694) | $(40,291) | $571,306 |
| Net income for three months ended March 31, 2014 | — | — | 14,033 | — | — | 14,033 |
| Other comprehensive income (loss), net of tax | — | — | — | 3,046 | — | 3,046 |
| Cash dividends declared ($0.16 per share) | — | — | (4,758) | — | — | (4,758) |
| Treasury stock issued for restricted awards (0 shares, net of 19,599 forfeitures) | — | — | 357 | — | (518) | (161) |
| Recognition of restricted stock compensation expense | — | 185 | — | — | — | 185 |
| Balance at March 31, 2014 | $77,993 | $78,325 | $477,790 | $ (9,648) | $(40,809) | $583,651 |
| | | | | | | |
| Balance at January 1, 2015 | $77,993 | $78,818 | $504,060 | $ (13,833) | $(38,649) | $608,389 |
| Net income for three months ended March 31, 2015 | — | — | 12,835 | — | — | 12,835 |
| Other comprehensive income (loss), net of tax | — | — | — | 3,805 | — | 3,805 |
| Cash dividends declared ($0.18 per share) | — | — | (5,357) | — | — | (5,357) |
| Common stock issued in acquisition (4,933,115 shares) | 12,333 | 130,136 | — | — | — | 142,469 |
| Treasury stock issued for restricted awards (71,699 shares, net of 3,685 forfeitures) | — | — | (1,963) | — | 1,884 | (79) |
| Recognition of restricted stock compensation expense | — | 319 | — | — | — | 319 |
| Issuance costs | — | (123) | — | — | — | (123) |
| Balance at March 31, 2015 | $90,326 | $209,150 | $509,575 | $ (10,028) | $(36,765) | $762,258 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| (dollars in thousands) | 2015 | 2014 |
| OPERATING ACTIVITIES | | |
| Net income | $12,835 | $14,033 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 1,207 | 289 |
| Provision for unfunded loan commitments | 198 | (57) |
| Depreciation and amortization | 1,460 | 1,115 |
| Net amortization of discounts and premiums | 913 | 966 |
| Stock-based compensation expense | 240 | 135 |
| Securities gains, net | — | (1) |
| Mortgage loans originated for sale | (21,481) | (4,897) |
| Proceeds from the sale of loans | 21,777 | 5,922 |
| Gain on the sale of loans, net | (203) | (22) |
| Net increase in interest receivable | (2,288) | (543) |
| Net decrease in interest payable | (374) | (284) |
| Net decrease in other assets | 2,945 | 3,648 |
| Net increase in other liabilities | 2,061 | 2,061 |
| Net Cash Provided by Operating Activities | 19,290 | 22,365 |
| INVESTING ACTIVITIES | | |
| Purchases of securities available-for-sale | (6,373) | (60,559) |
| Proceeds from maturities, prepayments and calls of securities available-for-sale | 6,389 | 21,598 |
| Net proceeds from Federal Home Loan Bank stock | 4,024 | 1,666 |
| Net increase in loans | (30,588) | (62,749) |
| Purchases of premises and equipment | (849) | (457) |
| Proceeds from the sale of premises and equipment | 7 | 64 |
| Net cash paid in excess of cash acquired from bank merger | (16,347) | — |
| Net Cash Used in Investing Activities | (43,737) | (100,437) |
| FINANCING ACTIVITIES | | |
| Net increase in core deposits | 240,719 | 157,874 |
| Net (decrease) increase in certificates of deposit | (43,417) | 38,061 |
| Net increase in securities sold under repurchase agreements | 16,116 | 4,587 |
| Net decrease in short-term borrowings | (159,150) | (40,000) |
| Repayments of long-term borrowings | (605) | (584) |
| Repayment of junior subordinated debt | (8,500) | — |
| Treasury shares issued-net | (79) | (161) |
| Issuance costs | (123) | — |
| Cash dividends paid to common shareholders | (5,357) | (4,758) |
| Net Cash Provided by Financing Activities | 39,604 | 155,019 |
| Net increase in cash and cash equivalents | 15,157 | 76,947 |
| Cash and cash equivalents at beginning of period | 109,580 | 108,356 |
| Cash and Cash Equivalents at End of Period | $124,737 | $185,303 |
| Supplemental Disclosures | | |
| Interest paid | $3,781 | $3,358 |

| | | |
|---|---|---|
| Income taxes paid, net of refunds | $1,500 | $— |
| Net assets acquired from bank merger, excluding cash and cash equivalents | $44,019 | $— |
| Transfers of loans to other real estate owned | $— | $186 |

See Notes to Consolidated Financial Statements

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1. BASIS OF PRESENTATION

### Principles 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, 2014, filed with the Securities and Exchange Commission, or SEC, on February 20, 2015. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly our financial position and the 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 period's presentation. The reclassifications had no significant effect on our results of operations or financial condition.

### Use of Estimates

The preparation of financial statements in conformity with 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, or ASU

#### Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the Financial Accounting Standards Board, or FASB, issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The guidance applies to all entities that dispose of components. It will significantly change current practices for assessing discontinued operations and affect an entity's income and earnings per share from continuing operations. An entity is required to reclassify assets and liabilities of a discontinued operation that are classified as held for sale or disposed of in the current period for all comparative periods presented. The ASU requires that an entity present in the statement of cash flows or disclose in a note either total operating and investing cash flows for discontinued operations, or depreciation, amortization, capital expenditures and significant operating and investing noncash items related to discontinued operations. Additional disclosures are required when an entity retains significant continuing involvement with a discontinued operation after its disposal, including the amount of cash flows to and from a discontinued operation. The new standard applies prospectively after the effective date of December 15, 2014, and early adoption is permitted. The adoption of this ASU had no impact on our results of operations or financial position.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 1. BASIS OF PRESENTATION - continued

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure
In January 2014, the FASB issued ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The ASU clarifies that an in substance repossession or foreclosure has occurred and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure. Interim and annual disclosure is required of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. The new standard is effective using either the modified retrospective transition method or a prospective transition method for fiscal years and interim periods within those years, beginning after December 15, 2014, and early adoption is permitted. The adoption of this ASU had no impact on our results of operations or financial position.
Accounting for Investments in Qualified Affordable Housing Projects
In January 2014, the FASB issued ASU No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. The ASU permits reporting entities to make an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The proportional amortization method permits the amortization of the initial cost of the investment in proportion to the tax credits and other tax benefits received, and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The new standard is effective retrospectively for fiscal years and interim periods within those years, beginning after December 15, 2014, and early adoption is permitted. This ASU did not have a material impact on our results of operations or financial position. We did not adopt the proportional amortization method. Refer to Note 14 for additional disclosure.
Recently Issued Accounting Standards Updates not yet Adopted
Intangibles – Goodwill and Other – Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement
In April 2015, the FASB issued ASU No. 2015-05, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The main provisions of ASU 2015-05 provide a basis for evaluating whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, then the arrangement should be accounted for as a service contract. The standard is effective for annual periods and interim periods beginning after December 15, 2015. We do not expect that this ASU will have a material impact on our results of operations or financial position.
Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs
In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is required to be adopted by public business entities in annual periods beginning on or after December 15, 2016. We do not expect that this ASU will have a material impact on our results of operations or financial position.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 1. BASIS OF PRESENTATION - continued

Consolidation: Amendments to the Consolidation Analysis

In April 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments in this ASU affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: 1) Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, 2) Eliminate the presumption that a general partner should consolidate a limited partnership, 3) Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and party relationships, 4) Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2A-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. We are currently evaluating the impact that these amendments may have on our consolidated financial statements.

Income Statement – Extraordinary and Unusual Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary

In January 2015, the FASB issued ASU No. 2015-01, Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary. The amendments of this ASU eliminate from GAAP the concept of extraordinary items and eliminate the requirements for reporting entities to consider whether an underlying event or transaction is extraordinary. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. The standard is required to be adopted by public business entities in annual periods beginning on or after December 15, 2015. We are currently evaluating the impact of the adoption of this pronouncement on our consolidated financial statements.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

## NOTE 2. BUSINESS COMBINATIONS

On March 4, 2015, we completed the acquisition of 100 percent of the voting shares of Integrity Bancshares, Inc., or Integrity, located in Camp Hill, Pennsylvania, in a tax-free reorganization transaction structured as a merger of Integrity with and into S&T, with S&T being the surviving entity. As a result of the Integrity merger, or the merger, Integrity Bank, the wholly owned subsidiary bank of Integrity, became a separate wholly owned subsidiary bank of S&T.

Integrity shareholders were entitled to elect to receive for each share of Integrity common stock either $52.50 in cash or 2.0627 shares of S&T common stock subject to allocation and proration procedures in the merger agreement. The total purchase price was approximately $172.0 million which included $29.5 million of cash and 4,933,115 S&T common shares at a fair value of $28.88 per share. The fair value of $28.88 per share of S&T common stock was based on the March 4, 2015 closing price.

The merger was accounted for under the acquisition method of accounting and our consolidated financial statements include all Integrity Bank transactions since March 4, 2015. Preliminary estimates of fair value have been recorded for loans, premises and other equipment, deposits, the core deposit intangible and other assets at March 31, 2015. Additional adjustments may be required to finalize the acquisition accounting.

Goodwill of $114.8 million was calculated as the excess of the consideration exchanged over the fair value of the identifiable net assets acquired. The goodwill arising from the merger consists largely of the synergies and economies of scale expected from combining the operations of S&T and Integrity. All of the goodwill was assigned to our Community Banking segment. The goodwill recognized will not be deductible for tax purposes.

The following table summarizes total consideration, assets acquired and liabilities assumed at March 4, 2015:

| (dollars in thousands) | |
|---|---|
| Consideration Paid | |
| Cash | $29,510 |
| Common stock | 142,469 |
| Fair Value of Total Consideration | $171,979 |
| | |
| Fair Value of Assets Acquired | |
| Cash and cash equivalents | $13,163 |
| Securities and other investments | 11,502 |
| Loans | 788,687 |
| Bank owned life insurance | 15,974 |
| Premises and equipment | 11,685 |
| Core deposit intangible | 5,713 |
| Other assets | 19,050 |
| Total Assets Acquired | 865,774 |
| | |
| Fair Value of Liabilities Assumed | |
| Deposits | 722,308 |
| Borrowings | 82,286 |
| Other liabilities | 3,998 |
| Total Liabilities Assumed | 808,592 |
| Total Fair Value of Identifiable Net Assets | 57,182 |
| Goodwill | $114,797 |

Loans acquired in the merger were recorded at fair value with no carryover of the related allowance for loan losses. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. Loans acquired with evidence of credit quality deterioration were evaluated and not considered to be significant. The fair value of the loans acquired was $788.7 million net of a $14.8 million discount. The discount will be accreted to interest income over the remaining contractual life of the loans. Acquired loans included $481.4 million of commercial real estate, or CRE, $193.9 million of commercial & industrial, or C&I, $44.8 million of commercial construction $32.7 million of residential mortgage $28.8 million of home equity $5.6 million of installment and other consumer and $1.5 million of consumer construction.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 2. BUSINESS COMBINATIONS - continued

Direct costs related to the merger were expensed as incurred. During the first quarter of 2015, we recognized $2.3 million of merger related expenses, including $0.9 million for data processing contract termination and conversion costs, $0.3 million in severance payments and $1.1 million in legal and professional expenses.

The consolidated statements of comprehensive income for the three months ended March 31, 2015 include net interest income of $2.2 million and net income of $0.3 million from Integrity Bank since the March 4, 2015 acquisition date.

The following table presents unaudited pro forma financial information which combines the historical consolidated statements of income of S&T and Integrity to give effect to the merger as if it had occurred on January 1, 2014, for the periods presented.

| | Unaudited Pro Forma Information Three Months Ended March 31, | |
|---|---|---|
| (dollars in thousands, except per share data) | 2015 | 2014 |
| Total revenue | $58,208 | $53,996 |
| Net income [1] | $14,502 | $16,052 |
| | | |
| Earnings per common share: [1] | | |
| Basic | $0.42 | $0.46 |
| Diluted | $0.42 | $0.46 |

[1]Excludes merger expenses

Total pro forma revenue is defined as net interest income plus non-interest income, excluding gains and losses on sales of investment securities available-for-sale. Pro forma adjustments include intangible amortization expense, net amortization or accretion of valuation amounts and income tax expense.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 3. EARNINGS PER SHARE

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

| | Three Months Ended March 31, | |
|---|---|---|
| (dollars in thousands, except shares and per share data) | 2015 | 2014 |
| Numerator for Earnings per Share—Basic: | | |
| Net income | $12,835 | $14,033 |
| Less: Income allocated to participating shares | 46 | 35 |
| Net Income Allocated to Shareholders | $12,789 | $13,998 |
| | | |
| Numerator for Earnings per Share—Diluted: | | |
| Net income | 12,835 | 14,033 |
| Net Income Available to Shareholders | $12,835 | $14,033 |
| | | |
| Denominators for Earnings per Share: | | |
| Weighted Average Shares Outstanding—Basic | 31,232,075 | 29,660,794 |
| Add: Potentially dilutive shares | 28,873 | 37,253 |
| Denominator for Treasury Stock Method—Diluted | 31,260,948 | 29,698,047 |
| | | |
| Weighted Average Shares Outstanding—Basic | 31,232,075 | 29,660,794 |
| Add: Average participating shares outstanding | 111,774 | 74,237 |
| Denominator for Two-Class Method—Diluted | 31,343,849 | 29,735,031 |
| | | |
| Earnings per share—basic | $0.41 | $0.47 |
| Earnings per share—diluted | $0.41 | $0.47 |
| Warrants considered anti-dilutive excluded from potentially dilutive shares | 517,012 | 517,012 |
| Stock options considered anti-dilutive excluded from potentially dilutive shares | 155,500 | 428,863 |
| Restricted stock considered anti-dilutive excluded from potentially dilutive shares | 82,901 | 36,984 |

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENT

We use fair value measurements when recording and disclosing certain financial assets and liabilities. Securities available-for-sale, trading assets and derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record other assets at fair value on a nonrecurring basis, such as loans held for sale, impaired loans, other real estate owned, or OREO, mortgage servicing rights, or MSRs, and certain other assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction. In determining fair value, we use various valuation approaches, including market, income and cost approaches. The fair value standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, which 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. We validate prices received from our pricing service through comparison to a secondary pricing service and broker quotes. We review the methodologies of the pricing service which provides us with a sufficient understanding of the valuation models, assumptions, inputs and pricing to reasonably measure the fair value of our debt securities. The market valuation 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 and 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.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS – continued

Derivative Financial Instruments
We use derivative instruments including interest rate swaps for commercial loans with our customers, interest rate lock commitments and the sale of mortgage loans in the secondary market. 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 counterparties' 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 any applicable credit enhancements and collateral postings.
Nonrecurring Basis
Loans Held for Sale
Loans held for sale consist of 1-4 family residential loans originated for sale in the secondary market and, from time to time, certain loans transferred from the loan portfolio to loans held for sale, all of which are carried at the lower of cost or fair value. The fair value of 1-4 family residential loans is based on the principal or most advantageous market currently offered for similar loans using observable market data. The fair value of the loans transferred from the loan portfolio is based on the amounts offered for these loans in currently pending sales transactions. Loans held for sale carried at fair value are classified as Level 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 carried at fair value are classified as Level 3.
Mortgage Servicing Rights
The fair value of MSRs is determined by calculating the present value of estimated future net servicing cash flows, considering expected mortgage loan prepayment rates, discount rates, servicing costs and other economic factors, which are determined based on current market conditions. The expected rate of mortgage loan prepayments is the most significant factor driving the value of MSRs. MSRs are considered impaired if the carrying value exceeds fair value. The valuation model includes significant unobservable inputs; therefore, MSRs are classified as Level 3.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS – continued

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
The carrying amounts reported in the Consolidated Balance Sheets for cash and due from banks, including interest-bearing deposits, approximate fair value.
Loans
The fair value of variable rate performing loans that may reprice frequently at short-term market rates is based on carrying values adjusted for credit risk. The fair value of variable rate performing loans that reprice at intervals of one year or longer, such as adjustable rate mortgage products, is estimated using discounted cash flow analyses that utilize interest rates currently being offered for similar loans and adjusted for credit risk. The fair value of fixed rate performing loans is estimated using a discounted cash flow analysis that utilizes interest rates currently being offered for similar loans and 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 of bank owned life insurance, or BOLI.
FHLB and Other Restricted Stock
It is not practical to determine the fair value of our FHLB and other restricted stock due to the restrictions placed on the transferability of these stocks.
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 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.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS – continued

Junior Subordinated Debt Securities
The variable rate junior subordinated debt securities reprice quarterly; therefore, the fair values approximate the carrying values. The fair value of the fixed rate junior subordinated debt securities assumed from the merger also approximates the carrying value due to our ability and intension to pay off the subordinated debt in the near future.
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.
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, 2015 and December 31, 2014. Due to limited trading volume, we transferred marketable equity securities with a fair value of $0.2 million from Level 1 to Level 2 during the period ended March 31, 2015. There were no other transfers between Level 1 and Level 2 for items measured at fair value on a recurring basis during the periods presented.

| | March 31, 2015 | | | |
|---|---|---|---|---|
| (dollars in thousands) | Level 1 | Level 2 | Level 3 | Total |
| ASSETS | | | | |
| Securities available-for-sale: | | | | |
| U.S. Treasury securities | $— | $15,030 | $— | $15,030 |
| Obligations of U.S. government corporations and agencies | — | 271,383 | — | 271,383 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | — | 131,404 | — | 131,404 |
| Residential mortgage-backed securities of U.S. government corporations and agencies | — | 48,165 | — | 48,165 |
| Commercial mortgage-backed securities of U.S. government corporations and agencies | — | 40,080 | — | 40,080 |
| Obligations of states and political subdivisions | — | 140,676 | — | 140,676 |
| Marketable equity securities | — | 9,091 | — | 9,091 |
| Total securities available-for-sale | — | 655,829 | — | 655,829 |
| Trading securities held in a Rabbi Trust | 3,505 | — | — | 3,505 |
| Total securities | 3,505 | 655,829 | — | 659,334 |
| Derivative financial assets: | | | | |
| Interest rate swaps | — | 14,020 | — | 14,020 |
| Interest rate lock commitments | — | 371 | — | 371 |
| Total Assets | $3,505 | $670,220 | $— | $673,725 |
| LIABILITIES | | | | |
| Derivative financial liabilities: | | | | |
| Interest rate swaps | $— | $13,979 | $— | $13,979 |
| Forward sale contracts | — | 74 | — | 74 |
| Total Liabilities | $— | $14,053 | $— | $14,053 |

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS – continued

| | December 31, 2014 | | | |
|---|---|---|---|---|
| (dollars in thousands) | Level 1 | Level 2 | Level 3 | Total |
| ASSETS | | | | |
| Securities available-for-sale: | | | | |
| U.S. Treasury securities | $— | $14,880 | $— | $14,880 |
| Obligations of U.S. government corporations and agencies | — | 269,285 | — | 269,285 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | — | 118,006 | — | 118,006 |
| Residential mortgage-backed securities of U.S. government corporations and agencies | — | 46,668 | — | 46,668 |
| Commercial mortgage-backed securities of U.S. government corporations and agencies | — | 39,673 | — | 39,673 |
| Obligations of states and political subdivisions | — | 142,702 | — | 142,702 |
| Marketable equity securities | 178 | 8,881 | — | 9,059 |
| Total securities available-for-sale | 178 | 640,095 | — | 640,273 |
| Trading securities held in a Rabbi Trust | 3,456 | — | — | 3,456 |
| Total securities | 3,634 | 640,095 | — | 643,729 |
| Derivative financial assets: | | | | |
| Interest rate swaps | — | 12,981 | — | 12,981 |
| Interest rate lock commitments | — | 235 | — | 235 |
| Forward sale contracts | — | — | — | — |
| Total Assets | $3,634 | $653,311 | $— | $656,945 |
| LIABILITIES | | | | |
| Derivative financial liabilities: | | | | |
| Interest rate swaps | $— | $12,953 | $— | $12,953 |
| Forward sale contracts | — | 57 | — | 57 |
| Total Liabilities | $— | $13,010 | $— | $13,010 |

We classify financial instruments as Level 3 when valuation models are used because significant inputs are not observable in the market. We had no assets measured at fair value on a recurring basis for which we have utilized Level 3 inputs to determine the fair value at either March 31, 2015 or March 31, 2014.

We may be required to measure certain assets and liabilities on a nonrecurring basis. Nonrecurring assets are recorded at the lower of cost or fair value in our financial statements. The following table presents our assets that were measured at fair value on a nonrecurring basis by the fair value hierarchy level at March 31, 2015 and December 31, 2014. There were no liabilities measured at fair value on a nonrecurring basis during these periods.

| | March 31, 2015 | | | | December 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| ASSETS[(1)] | | | | | | | | |
| Loans held for sale | $— | $— | $— | $— | $— | $— | $— | $— |
| Impaired loans | — | — | 14,940 | 14,940 | — | — | 12,916 | 12,916 |
| Other real estate owned | — | — | 1,294 | 1,294 | — | — | 117 | 117 |
| Mortgage servicing rights | — | — | 2,865 | 2,865 | — | — | 2,934 | 2,934 |
| Total Assets | $— | $— | $19,099 | $19,099 | $— | $— | $15,967 | $15,967 |

[(1)]This table presents only the nonrecurring items that are recorded at fair value in our financial statements.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS – continued

The carrying values and fair values of our financial instruments at March 31, 2015 and December 31, 2014 are presented in the following tables:

| | Carrying | Fair Value Measurements at March 31, 2015 | | | |
|---|---|---|---|---|---|
| (dollars in thousands) | Value[1] | Total | Level 1 | Level 2 | Level 3 |
| ASSETS | | | | | |
| Cash and due from banks, including interest-bearing deposits | $124,737 | $124,737 | $124,737 | $— | $— |
| Securities available-for-sale | 655,829 | 655,829 | — | 655,829 | — |
| Loans held for sale | 6,126 | 6,160 | — | — | 6,160 |
| Portfolio loans, net of unearned income | 4,683,698 | 4,673,187 | — | — | 4,673,187 |
| Bank owned life insurance | 78,738 | 78,738 | — | 78,738 | — |
| FHLB and other restricted stock | 19,729 | 19,729 | — | — | 19,729 |
| Trading securities held in a Rabbi Trust | 3,505 | 3,505 | 3,505 | — | — |
| Mortgage servicing rights | 2,788 | 2,865 | — | — | 2,865 |
| Interest rate swaps | 14,020 | 14,020 | — | 14,020 | — |
| Interest rate lock commitments | 371 | 371 | — | 371 | — |
| LIABILITIES | | | | | |
| Deposits | $4,828,531 | $4,834,805 | $— | $— | $4,834,805 |
| Securities sold under repurchase agreements | 46,721 | 46,721 | — | — | 46,721 |
| Short-term borrowings | 199,573 | 199,573 | — | — | 199,573 |
| Long-term borrowings | 18,838 | 19,928 | — | — | 19,928 |
| Junior subordinated debt securities | 50,619 | 50,619 | — | — | 50,619 |
| Interest rate swaps | 13,979 | 13,979 | — | 13,979 | — |
| Forward sale contracts | 74 | 74 | — | 74 | — |

[1] As reported in the Consolidated Balance Sheets

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS – continued

| | Carrying | Fair Value Measurements at December 31, 2014 | | | |
|---|---|---|---|---|---|
| (dollars in thousands) | Value[(1)] | Total | Level 1 | Level 2 | Level 3 |
| ASSETS | | | | | |
| Cash and due from banks, including interest-bearing deposits | $109,580 | $109,580 | $109,580 | $— | $— |
| Securities available-for-sale | 640,273 | 640,273 | 178 | 640,095 | — |
| Loans held for sale | 2,970 | 2,991 | — | — | 2,991 |
| Portfolio loans, net of unearned income | 3,868,746 | 3,827,634 | — | — | 3,827,634 |
| Bank owned life insurance | 62,252 | 62,252 | — | 62,252 | — |
| FHLB and other restricted stock | 15,135 | 15,135 | — | — | 15,135 |
| Trading securities held in a Rabbi Trust | 3,456 | 3,456 | 3,456 | — | — |
| Mortgage servicing rights | 2,817 | 2,934 | — | — | 2,934 |
| Interest rate swaps | 12,981 | 12,981 | — | 12,981 | — |
| Interest rate lock commitments | 235 | 235 | — | 235 | — |
| LIABILITIES | | | | | |
| Deposits | $3,908,842 | $3,910,342 | $— | $— | $3,910,342 |
| Securities sold under repurchase agreements | 30,605 | 30,605 | — | — | 30,605 |
| Short-term borrowings | 290,000 | 290,000 | — | — | 290,000 |
| Long-term borrowings | 19,442 | 20,462 | — | — | 20,462 |
| Junior subordinated debt securities | 45,619 | 45,619 | — | — | 45,619 |
| Interest rate swaps | 12,953 | 12,953 | — | 12,953 | — |
| Forward sale contracts | 57 | 57 | — | 57 | — |

(1) As reported in the Consolidated Balance Sheets

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued
NOTE 5. SECURITIES AVAILABLE-FOR-SALE

The following tables present the amortized cost and fair value of available-for-sale securities as of the dates presented:

| | March 31, 2015 | | | | December 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | $14,883 | $147 | $— | $15,030 | $14,873 | $7 | $— | $14,880 |
| Obligations of U.S. government corporations and agencies | 267,686 | 3,900 | (203) | 271,383 | 268,029 | 2,334 | (1,078) | 269,285 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | 129,010 | 2,419 | (25) | 131,404 | 116,897 | 1,257 | (148) | 118,006 |
| Residential mortgage-backed securities of U.S. government corporations and agencies | 46,412 | 1,802 | (49) | 48,165 | 45,274 | 1,548 | (154) | 46,668 |
| Commercial mortgage-backed securities of U.S. government corporations and agencies | 39,701 | 517 | (138) | 40,080 | 39,834 | 232 | (393) | 39,673 |
| Obligations of states and political subdivisions | 134,765 | 5,953 | (42) | 140,676 | 136,977 | 5,789 | (64) | 142,702 |
| Debt Securities | 632,457 | 14,738 | (457) | 646,738 | 621,884 | 11,167 | (1,837) | 631,214 |
| Marketable equity securities | 7,579 | 1,512 | — | 9,091 | 7,579 | 1,480 | — | 9,059 |
| Total | $640,036 | $16,250 | $(457) | $655,829 | $629,463 | $12,647 | $(1,837) | $640,273 |

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 presented:

| | Three Months Ended March 31, | |
|---|---|---|
| (dollars in thousands) | 2015 | 2014 |
| Gross realized gains | $— | $1 |
| Gross realized losses | — | — |
| Net Realized Gains | $— | $1 |

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 5. SECURITIES AVAILABLE-FOR-SALE – continued

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

| | March 31, 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Less Than 12 Months | | | 12 Months or More | | | Total | | |
| (dollars in thousands) | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses |
| Obligations of U.S. government corporations and agencies | 3 | $ 23,523 | $ (55) | 4 | $ 30,157 | $ (148) | 7 | $ 53,680 | $ (203) |
| Collateralized mortgage obligations of U.S. government corporations and agencies | 3 | 7,868 | (25) | — | — | — | 3 | 7,868 | (25) |
| Residential mortgage-backed securities of U.S. government corporations and agencies | 5 | 11,361 | (49) | — | — | — | 5 | 11,361 | (49) |
| Commercial mortgage-backed securities of U.S. government corporations and agencies | — | — | — | 1 | 9,717 | (138) | 1 | 9,717 | (138) |
| Obligations of states and political subdivisions | 1 | 5,385 | (42) | — | — | — | 1 | 5,385 | (42) |
| Total Temporarily Impaired Securities | 12 | $ 48,137 | $ (171) | 5 | $ 39,874 | $ (286) | 17 | $ 88,011 | $ (457) |

| | December 31, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Less Than 12 Months | | | 12 Months or More | | | Total | | |
| (dollars in thousands) | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses |
| Obligations of U.S. government corporations and agencies | 4 | $ 39,745 | $ (207) | 8 | $ 63,149 | $ (871) | 12 | $ 102,894 | $ (1,078) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Collateralized mortgage obligations of U.S. government corporations and agencies | 1 | 9,323 | (148 ) | — | — | — | 1 | 9,323 | (148 ) |
| Residential mortgage-backed securities of U.S. government corporations and agencies | — | — | — | 1 | 8,982 | (154 ) | 1 | 8,982 | (154 ) |
| Commercial mortgage-backed securities of U.S. government corporations and agencies | 1 | 9,998 | (25 ) | 2 | 20,640 | (368 ) | 3 | 30,638 | (393 ) |
| Obligations of states and political subdivisions | 1 | 263 | (1 ) | 2 | 10,756 | (63 ) | 3 | 11,019 | (64 ) |
| Total Temporarily Impaired Securities | 7 | $ 59,329 | $ (381 ) | 13 | $ 103,527 | $ (1,456 ) | 20 | $ 162,856 | $ (1,837 ) |

We do not believe any individual unrealized loss as of March 31, 2015 represents an other than temporary impairment, or OTTI. As of March 31, 2015, the unrealized losses on 17 debt securities were attributable to changes in interest rates and not related to the credit quality of these securities. All debt securities are determined to be investment grade and are paying principal and interest according to the contractual terms of the security. There were no unrealized losses on marketable equity securities as of March 31, 2015. We do not intend to sell and it is not more likely than not 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.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 5. SECURITIES AVAILABLE-FOR-SALE – continued

The following table displays net unrealized gains and losses, net of tax on securities available for sale included in accumulated other comprehensive income/(loss) for the periods presented:

| | March 31, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | Gross Unrealized Gains | Gross Unrealized Losses | Net Unrealized Gains/ (Losses) | Gross Unrealized Gains | Gross Unrealized Losses | Net Unrealized Gains/ (Losses) |
| Total unrealized gains/(losses) on securities available-for-sale | $16,250 | $(457) | $15,793 | $12,647 | $(1,837) | $ 10,810 |
| Income tax expense/(benefit) | 5,688 | (160) | 5,528 | 4,426 | (643) | 3,783 |
| Net unrealized gains/(losses), net of tax included in accumulated other comprehensive income/(loss) | $10,562 | $(297) | $10,265 | $8,221 | $(1,194) | $ 7,027 |

The amortized cost and fair value of securities available-for-sale at March 31, 2015 by contractual maturity are included in the table below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | March 31, 2015 | |
|---|---|---|
| (dollars in thousands) | Amortized Cost | Fair Value |
| Obligations of the U.S. Treasury and U.S. government corporations and agencies, and obligations of states and political subdivisions | | |
| Due in one year or less | $29,757 | $30,068 |
| Due after one year through five years | 206,322 | 208,787 |
| Due after five years through ten years | 80,865 | 83,329 |
| Due after ten years | 100,390 | 104,905 |
| | 417,334 | 427,089 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | 129,010 | 131,404 |
| Residential mortgage-backed securities of U.S. government corporations and agencies | 46,412 | 48,165 |
| Commercial mortgage-backed securities of U.S. government corporations and agencies | 39,701 | 40,080 |
| Debt Securities | 632,457 | 646,738 |
| Marketable equity securities | 7,579 | 9,091 |
| Total | $640,036 | $655,829 |

At March 31, 2015 and December 31, 2014, securities with carrying values of $334.6 million and $289.1 million were pledged for various regulatory and legal requirements.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

## NOTE 6. LOANS AND LOANS HELD FOR SALE

Loans are presented net of unearned income of $2.5 million and $2.1 million at March 31, 2015 and December 31, 2014. The following table indicates the composition of the loans as of the dates presented:

| (dollars in thousands) | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Commercial | | |
| Commercial real estate | $2,152,413 | $1,682,236 |
| Commercial and industrial | 1,211,053 | 994,138 |
| Commercial construction | 286,166 | 216,148 |
| Total Commercial Loans | 3,649,632 | 2,892,522 |
| Consumer | | |
| Residential mortgage | 521,506 | 489,586 |
| Home equity | 442,396 | 418,563 |
| Installment and other consumer | 65,754 | 65,567 |
| Consumer construction | 4,410 | 2,508 |
| Total Consumer Loans | 1,034,066 | 976,224 |
| Total Portfolio Loans | 4,683,698 | 3,868,746 |
| Loans held for sale | 6,126 | 2,970 |
| Total Loans | $4,689,824 | $3,871,716 |

We attempt to limit our exposure to credit risk by diversifying our loan portfolio by segment, collateral and industry 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 represented 78 percent of total portfolio loans at March 31, 2015 and 75 percent of total portfolio loans at December 31, 2014. Within our commercial portfolio, CRE and commercial construction portfolios combined comprised $2.4 billion or 67 percent of total commercial loans and 52 percent of total portfolio loans at March 31, 2015 and 66 percent of total commercial loans and 49 percent of total portfolio loans at December 31, 2014. Of the $2.4 billion of CRE and commercial construction loans, $527.9 million were added as a result of the merger. Further segmentation of the CRE and commercial construction portfolios by industry and collateral type reveal no concentration in excess of 9.0 percent of total loans at March 31, 2015 and December 31, 2014.

Our market area includes Pennsylvania and the contiguous states of Ohio, West Virginia, New York and Maryland. The majority of our commercial and consumer loans are made to businesses and individuals in this market area resulting in a geographic concentration. We believe our knowledge and familiarity with customers and conditions locally outweighs this geographic concentration risk. The conditions of the local and regional economies are monitored closely through publicly available data as well as information supplied by our customers. Management believes underwriting guidelines, active monitoring of economic conditions and ongoing review by credit administration mitigates the concentration risk present in the loan portfolio. Our CRE and commercial construction portfolios had out of market exposure of 6.1 percent of the combined portfolio and 3.2 percent of total loans at March 31, 2015 and 8.0 percent of the combined portfolio and 3.9 percent of total loans at December 31, 2014.

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 grant. 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 or principal deferment. While unusual, there may be instances of principal forgiveness. 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 and not reaffirmed as TDRs.

We individually evaluate all substandard commercial loans that have 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 to determine if they should be designated as TDRs. 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

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S&T BANCORP, INC. AND SUBSIDIARIES
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NOTE 6. LOANS AND LOANS HELD FOR SALE - continued

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 as of the dates presented:

| (dollars in thousands) | March 31, 2015 Performing TDRs | Nonperforming TDRs | Total TDRs | December 31, 2014 Performing TDRs | Nonperforming TDRs | Total TDRs |
|---|---|---|---|---|---|---|
| Commercial real estate | $16,722 | $ 5,030 | $21,752 | $16,939 | $ 2,180 | $19,119 |
| Commercial and industrial | 7,988 | 1,772 | 9,760 | 8,074 | 356 | 8,430 |
| Commercial construction | 5,724 | 1,973 | 7,697 | 5,736 | 1,869 | 7,605 |
| Residential mortgage | 2,507 | 625 | 3,132 | 2,839 | 459 | 3,298 |
| Home equity | 3,438 | 510 | 3,948 | 3,342 | 562 | 3,904 |
| Installment and other consumer | 44 | 6 | 50 | 53 | 10 | 63 |
| Total | $36,423 | $ 9,916 | $46,339 | $36,983 | $ 5,436 | $42,419 |

There were no TDRs returned to accruing status during the three months ended March 31, 2015 or three months ended March 31, 2014.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 6. LOANS AND LOANS HELD FOR SALE - continued

The following tables present the restructured loans for the three month periods ended March 31, 2015 and March 31, 2014:

| (dollars in thousands) | Three Months Ended March 31, 2015 Number of Loans | Pre-Modification Outstanding Recorded Investment[1] | Post-Modification Outstanding Recorded Investment[1] | Total Difference in Recorded Investment |
|---|---|---|---|---|
| Commercial real estate | | | | |
| Principal deferral | 2 | $ 2,851 | $ 2,851 | $— |
| Commercial and industrial | | | | |
| Principal deferral | 6 | 661 | 661 | — |
| Chapter 7 bankruptcy[2] | 1 | 3 | 1 | (2 ) |
| Maturity date extension | 1 | 780 | 765 | (15 ) |
| Commercial Construction | | | | |
| Principal deferral | 1 | 104 | 103 | (1 ) |
| Home equity | | | | |
| Chapter 7 bankruptcy[2] | 8 | 142 | 133 | (9 ) |
| Maturity date extension | 1 | 71 | 71 | — |
| Total by Concession Type | | | | |
| Principal deferral | 9 | 3,616 | 3,615 | (1 ) |
| Chapter 7 bankruptcy[2] | 9 | 145 | 134 | (11 ) |
| Maturity date extension | 2 | 851 | 836 | (15 ) |
| Total | 20 | $ 4,612 | $ 4,585 | $(27 ) |

[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.

| (dollars in thousands) | Three Months Ended March 31, 2014 Number of Loans | Pre-Modification Outstanding Recorded Investment[1] | Post-Modification Outstanding Recorded Investment[1] | Total Difference in Recorded Investment |
|---|---|---|---|---|
| Commercial and industrial | | | | |
| Chapter 7 bankruptcy[2] | 1 | $ 287 | $ 286 | $(1 ) |
| Commercial Construction | | | | |
| Principal deferral | 1 | 1,019 | 1,019 | — |
| Residential mortgage | | | | |
| Chapter 7 bankruptcy[2] | 4 | 277 | 276 | (1 ) |
| Home equity | | | | |
| Chapter 7 bankruptcy[2] | 6 | 225 | 210 | (15 ) |
| Total by Concession Type | | | | |
| Principal deferral | 1 | 1,019 | 1,019 | — |
| Chapter 7 bankruptcy[2] | 11 | 789 | 772 | (17 ) |

| | | | | |
|---|---|---|---|---|
| Total | 12 | $ 1,808 | $ 1,791 | $(17 ) |

(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.

For the three months ended March 31, 2015, we modified 2 commercial and industrial, or C&I, loans totaling $0.2 million, and 2 CRE loans totaling $0.2 million that were not considered to be TDRs. The modifications represented instances where there was an insignificant delay in payment. As of March 31, 2015 we have no commitments to lend additional funds on any TDRs.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 6. LOANS AND LOANS HELD FOR SALE - continued

Defaulted TDRs are defined as loans having a payment default of 90 days or more after the restructuring takes place. The following tables present a summary of TDRs which defaulted during the periods presented that had been restructured within the last 12 months prior to defaulting:

| | Defaulted TDRs | | | |
|---|---|---|---|---|
| | For the Three Months Ended | | | |
| | March 31, 2015 | | March 31, 2014 | |
| (dollars in thousands) | Number of Defaults | Recorded Investment | Number of Defaults | Recorded Investment |
| Residential mortgage | 1 | $ 183 | 1 | $ 72 |
| Home equity | 1 | 5 | — | — |
| Total | 2 | $ 188 | 1 | $ 72 |

The following table is a summary of nonperforming assets as of the dates presented:

| | Nonperforming Assets | |
|---|---|---|
| (dollars in thousands) | March 31, 2015 | December 31, 2014 |
| Nonperforming Assets | | |
| Nonaccrual loans | $8,218 | $7,021 |
| Nonaccrual TDRs | 9,916 | 5,436 |
| Total nonaccrual loans | 18,134 | 12,457 |
| OREO | 1,294 | 166 |
| Total Nonperforming Assets | $19,428 | $12,623 |

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## NOTE 7. ALLOWANCE FOR LOAN LOSSES

We maintain an allowance for loan losses, or ALL, at a level determined to be adequate to absorb estimated probable credit losses inherent in the loan portfolio as of the balance sheet date. We develop and document a systematic ALL methodology based on the following portfolio segments: 1) CRE, 2) 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 loans and 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, lien position and loan to value, or LTV, ratio for Consumer Real Estate loans. Historical loss rates are applied to these loan pools to determine the reserve for loans collectively evaluated for impairment.

The ALL methodology for groups of loans collectively evaluated for impairment is comprised of both a quantitative and qualitative analysis. A key assumption in the quantitative component of the reserve is the loss emergence period, or LEP. The LEP is an estimate of the average amount of time from the point at which a loss is incurred on a loan to the point at which the loss is confirmed. In general, the LEP will be shorter in an economic slowdown or recession and longer during times of economic stability or growth, as customers are better able to delay loss confirmation after a potential loss event has occurred.

Another key assumption is the look-back period, or LBP, which represents the historical data period utilized to calculate loss rates.

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.

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR LOAN LOSSES – continued

The following tables present the age analysis of past due loans segregated by class of loans as of March 31, 2015 and December 31, 2014:

| | March 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Current | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days Past Due[1] | Nonaccrual | Total Past Due | Total Loans |
| Commercial real estate | $2,138,815 | $2,955 | $522 | $1,735 | $8,386 | $13,598 | $2,152,413 |
| Commercial and industrial | 1,202,897 | 4,089 | 517 | — | 3,550 | 8,156 | 1,211,053 |
| Commercial construction | 281,084 | 969 | — | 2,140 | 1,973 | 5,082 | 286,166 |
| Residential mortgage | 516,515 | 1,548 | 63 | 1,154 | 2,226 | 4,991 | 521,506 |
| Home equity | 438,629 | 1,583 | 198 | — | 1,986 | 3,767 | 442,396 |
| Installment and other consumer | 65,465 | 249 | 27 | — | 13 | 289 | 65,754 |
| Consumer construction | 4,410 | — | — | — | — | — | 4,410 |
| Loans held for sale | 6,126 | — | — | — | — | — | 6,126 |
| Totals | $4,653,941 | $11,393 | $1,327 | $5,029 | $18,134 | $35,883 | $4,689,824 |

[1]Represents acquired loans that were recorded at fair value at the acquisition date.

| | December 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Current | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days Past Due | Nonaccrual | Total Past Due | Total Loans |
| Commercial real estate | $1,674,930 | $2,548 | $323 | $— | $4,435 | $7,306 | $1,682,236 |
| Commercial and industrial | 991,136 | 1,227 | 153 | — | 1,622 | 3,002 | 994,138 |
| Commercial construction | 214,174 | — | — | — | 1,974 | 1,974 | 216,148 |
| Residential mortgage | 485,465 | 565 | 1,220 | — | 2,336 | 4,121 | 489,586 |
| Home equity | 414,303 | 1,756 | 445 | — | 2,059 | 4,260 | 418,563 |
| Installment and other consumer | 65,111 | 352 | 73 | — | 31 | 456 | 65,567 |
| Consumer construction | 2,508 | — | — | — | — | — | 2,508 |
| Loans held for sale | 2,970 | — | — | — | — | — | 2,970 |
| Totals | $3,850,597 | $6,448 | $2,214 | $— | $12,457 | $21,119 | $3,871,716 |

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 or substandard.

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

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

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

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

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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR LOAN LOSSES – continued

The following tables present the recorded investment in commercial loan classes by internally assigned risk ratings as of the dates presented:

| | March 31, 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Commercial Real Estate | % of Total | | Commercial and Industrial | % of Total | | Commercial Construction | % of Total | | Total | % of Total | |
| Pass | $2,073,492 | 96.3 | % | $1,137,101 | 93.9 | % | $247,967 | 86.7 | % | $3,458,560 | 94.8 | % |
| Special mention | 25,204 | 1.2 | % | 55,529 | 4.6 | % | 20,600 | 7.2 | % | 101,333 | 2.8 | % |
| Substandard | 53,717 | 2.5 | % | 18,423 | 1.5 | % | 17,599 | 6.1 | % | 89,739 | 2.4 | % |
| Total | $2,152,413 | 100 | % | $1,211,053 | 100.0 | % | $286,166 | 100.0 | % | $3,649,632 | 100.0 | % |

| | December 31, 2014 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Commercial Real Estate | % of Total | | Commercial and Industrial | % of Total | | Commercial Construction | % of Total | | Total | % of Total | |
| Pass | $1,635,132 | 97.2 | % | $948,663 | 95.4 | % | $196,520 | 90.9 | % | $2,780,315 | 96.1 | % |
| Special mention | 23,597 | 1.4 | % | 30,357 | 3.1 | % | 12,014 | 5.6 | % | 65,968 | 2.3 | % |
| Substandard | 23,507 | 1.4 | % | 15,118 | 1.5 | % | 7,614 | 3.5 | % | 46,239 | 1.6 | % |
| Total | $1,682,236 | 100.0 | % | $994,138 | 100.0 | % | $216,148 | 100.0 | % | $2,892,522 | 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 present the recorded investment in consumer loan classes by performing and nonperforming status as of the dates presented:

| | March 31, 2015 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Residential Mortgage | % of Total | | Home Equity | % of Total | | Installment and other consumer | % of Total | | Consumer Construction | % of Total | | Total | % of Total | |
| Performing | $519,280 | 99.6 | % | $440,410 | 99.6 | % | $65,741 | 100.0 | % | $4,410 | 100.0 | % | $1,029,841 | 99.6 | % |
| Nonperforming | 2,226 | 0.4 | % | 1,986 | 0.4 | % | 13 | — | % | — | — | % | 4,225 | 0.4 | % |
| Total | $521,506 | 100.0 | % | $442,396 | 100.0 | % | $65,754 | 100.0 | % | $4,410 | 100.0 | % | $1,034,066 | 100.0 | % |

| | December 31, 2014 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Residential Mortgage | % of Total | | Home Equity | % of Total | | Installment and other consumer | % of Total | | Consumer Construction | % of Total | | Total | % of Total | |
| Performing | $487,250 | 99.5 | % | $416,504 | 99.5 | % | $65,536 | 99.9 | % | $2,508 | 100.0 | % | $971,798 | 99.5 | % |
| Nonperforming | 2,336 | 0.5 | % | 2,059 | 0.5 | % | 31 | 0.1 | % | — | — | % | 4,426 | 0.5 | % |
| Total | $489,586 | 100.0 | % | $418,563 | 100.0 | % | $65,567 | 100.0 | % | $2,508 | 100.0 | % | $976,224 | 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 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 expected that the remaining principal and interest will be fully 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.

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NOTE 7. ALLOWANCE FOR LOAN LOSSES – continued

The following tables summarize investments in loans considered to be impaired and the related information on those impaired loans as of the dates presented:

| | March 31, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| Without a related allowance recorded: | | | | | | |
| Commercial real estate | $22,515 | $27,937 | $— | $19,890 | $25,262 | $— |
| Commercial and industrial | 10,338 | 11,238 | — | 9,218 | 9,449 | — |
| Commercial construction | 7,696 | 11,385 | — | 7,605 | 11,293 | — |
| Consumer real estate | 7,039 | 7,637 | — | 7,159 | 7,733 | — |
| Other consumer | 31 | 34 | — | 42 | 48 | — |
| Total without a Related Allowance Recorded | 47,619 | 58,231 | — | 43,914 | 53,785 | — |
| With a related allowance recorded: | | | | | | |
| Commercial real estate | 811 | 811 | 39 | — | — | — |
| Commercial and industrial | — | — | — | — | — | — |
| Commercial construction | — | — | — | — | — | — |
| Consumer real estate | 41 | 41 | 41 | 43 | 43 | 43 |
| Other consumer | 18 | 18 | 8 | 20 | 20 | 11 |
| Total with a Related Allowance Recorded | 870 | 870 | 88 | 63 | 63 | 54 |
| Total: | | | | | | |
| Commercial real estate | 23,326 | 28,748 | 39 | 19,890 | 25,262 | — |
| Commercial and industrial | 10,338 | 11,238 | — | 9,218 | 9,449 | — |
| Commercial construction | 7,696 | 11,385 | — | 7,605 | 11,293 | — |
| Consumer real estate | 7,080 | 7,678 | 41 | 7,202 | 7,776 | 43 |
| Other consumer | 49 | 52 | 8 | 62 | 68 | 11 |
| Total | $48,489 | $59,101 | $88 | $43,977 | $53,848 | $54 |

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S&T BANCORP, INC. AND SUBSIDIARIES
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NOTE 7. ALLOWANCE FOR LOAN LOSSES – continued

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

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2015 | | March 31, 2014 | |
| (dollars in thousands) | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| Without a related allowance recorded: | | | | |
| Commercial real estate | $22,627 | $164 | $23,539 | $167 |
| Commercial and industrial | 10,847 | 62 | 9,826 | 55 |
| Commercial construction | 7,704 | 53 | 8,324 | 57 |
| Consumer real estate | 7,073 | 96 | 8,258 | 103 |
| Other consumer | 34 | — | 121 | 1 |
| Total without a Related Allowance Recorded | 48,285 | 375 | 50,068 | 383 |
| With a related allowance recorded: | | | | |
| Commercial real estate | 823 | 8 | — | — |
| Commercial and industrial | — | — | — | — |
| Commercial construction | — | — | — | — |
| Consumer real estate | 42 | 1 | 51 | 1 |
| Other consumer | 19 | — | 32 | 1 |
| Total with a Related Allowance Recorded | 884 | 9 | 83 | 2 |
| Total: | | | | |
| Commercial real estate | 23,450 | 172 | 23,539 | 167 |
| Commercial and industrial | 10,847 | 62 | 9,826 | 55 |
| Commercial construction | 7,704 | 53 | 8,324 | 57 |
| Consumer real estate | 7,115 | 97 | 8,309 | 104 |
| Other consumer | 53 | — | 153 | 2 |
| Total | $49,169 | $384 | $50,151 | $385 |

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S&T BANCORP, INC. AND SUBSIDIARIES
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NOTE 7. ALLOWANCE FOR LOAN LOSSES – continued

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

| | Three Months Ended March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | Commercial Real Estate | Commercial and Industrial | Commercial Construction | Consumer Real Estate | Other Consumer | Total Loans |
| Balance at beginning of period | $20,164 | $ 13,668 | $6,093 | $6,333 | $1,653 | $47,911 |
| Charge-offs | (66) | (707) | — | (375) | (303) | (1,451) |
| Recoveries | 103 | 114 | 1 | 136 | 85 | 439 |
| Net (Charge-offs)/ Recoveries | 37 | (593) | 1 | (239) | (218) | (1,012) |
| Provision for loan losses | (1,130) | 636 | 775 | 629 | 297 | 1,207 |
| Balance at End of Period | $19,071 | $ 13,711 | $6,869 | $6,723 | $1,732 | $48,106 |

| | Three Months Ended March 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | Commercial Real Estate | Commercial and Industrial | Commercial Construction | Consumer Real Estate | Other Consumer | Total Loans |
| Balance at beginning of period | $18,921 | $ 14,433 | $5,374 | $6,362 | $1,165 | $46,255 |
| Charge-offs | (266) | (290) | (28) | (123) | (267) | (974) |
| Recoveries | 540 | 314 | 50 | 59 | 83 | 1,046 |