S&T BANCORP INC
Form 10-Q
August 05, 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 June 30, 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 (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 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 - 34,811,636 shares as of July 31, 2015

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

(dollars in thousands, except per share data)	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Cash and due from banks, including interest-bearing deposits of $83,701 and $57,048 at June 30, 2015 and December 31, 2014	$146,582	$109,580
Securities available-for-sale, at fair value	666,624	640,273
Loans held for sale	13,634	2,970
Portfolio loans, net of unearned income	4,798,498	3,868,746
Allowance for loan losses	(48,814)	(47,911)
Portfolio loans, net	4,749,684	3,820,835
Bank owned life insurance	79,314	62,252
Premises and equipment, net	49,032	38,166
Federal Home Loan Bank and other restricted stock, at cost	23,553	15,135
Goodwill	291,204	175,820
Other intangible assets, net	7,479	2,631
Other assets	106,622	97,024
Total Assets	$6,133,728	$4,964,686
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$1,182,124	$1,083,919
Interest-bearing demand	703,797	335,099
Money market	633,175	376,612
Savings	1,093,057	1,027,095
Certificates of deposit	1,247,262	1,086,117
Total Deposits	4,859,415	3,908,842
Securities sold under repurchase agreements	46,235	30,605
Short-term borrowings	230,975	290,000
Long-term borrowings	118,228	19,442
Junior subordinated debt securities	45,619	45,619
Other liabilities	62,027	61,789
Total Liabilities	5,362,499	4,356,297
SHAREHOLDERS' EQUITY		
Common stock ($2.50 par value)		
Authorized—50,000,000 shares		
Issued—36,130,480 shares at June 30, 2015 and 31,197,365 at December 31, 2014	90,326	77,993
Outstanding—34,812,723 shares at June 30, 2015 and 29,796,397 shares at December 31, 2014		
Additional paid-in capital	209,709	78,818
Retained earnings	521,056	504,060
Accumulated other comprehensive (loss) income	(13,521)	(13,833)
Treasury stock (1,317,757 shares at June 30, 2015 and 1,400,968 shares at December 31, 2014, at cost)	(36,341)	(38,649)
Total Shareholders' Equity	771,229	608,389
Total Liabilities and Shareholders' Equity	$6,133,728	$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 June 30,		Six Months Ended June 30,	
(dollars in thousands, except per share data)	2015	2014	2015	2014
INTEREST INCOME				
Loans, including fees	$48,933	$36,614	$88,859	$72,263
Investment Securities:				
Taxable	2,394	2,060	4,777	3,960
Tax-exempt	998	979	2,018	1,908
Dividends	286	219	872	406
Total Interest Income	52,611	39,872	96,526	78,537
INTEREST EXPENSE				
Deposits	3,051	2,476	6,058	4,986
Borrowings and junior subordinated debt securities	749	541	1,398	1,105
Total Interest Expense	3,800	3,017	7,456	6,091
NET INTEREST INCOME	48,811	36,855	89,070	72,446
Provision for loan losses	2,059	(1,134)	3,266	(845)
Net Interest Income After Provision for Loan Losses	46,752	37,989	85,804	73,291
NONINTEREST INCOME				
Securities (losses) gains, net	(34)	40	(34)	41
Debit and credit card fees	3,020	2,724	5,736	5,226
Wealth management fees	2,930	2,837	5,853	5,792
Service charges on deposit accounts	2,877	2,574	5,459	5,083
Insurance fees	1,391	1,425	3,041	3,102
Mortgage banking	782	264	1,308	396
Other	2,417	1,907	4,104	3,547
Total Noninterest Income	13,383	11,771	25,467	23,187
NONINTEREST EXPENSE				
Salaries and employee benefits	17,455	15,772	34,235	31,148
Net occupancy	2,682	1,984	5,270	4,214
Data processing	2,555	2,219	4,876	4,314
Furniture and equipment	1,582	1,277	2,808	2,548
Marketing	1,193	960	2,009	1,578
Other taxes	1,159	893	2,002	1,524
Merger related expenses	866	—	3,167	—
FDIC insurance	808	579	1,503	1,210
Professional services and legal	801	875	1,324	1,538
Other	6,348	5,606	11,876	11,005
Total Noninterest Expense	35,449	30,165	69,070	59,079
Income Before Taxes	24,686	19,595	42,201	37,399
Provision for income taxes	6,498	4,875	11,178	8,646
Net Income	$18,188	$14,720	$31,023	$28,753
Earnings per share—basic	$0.52	$0.49	$0.94	$0.97
Earnings per share—diluted	$0.52	$0.49	$0.94	$0.97
Dividends declared per share	$0.18	$0.17	$0.36	$0.33
Comprehensive Income	$14,695	$18,343	$31,335	$35,421

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 (Loss)/Income	Treasury Stock	Total
Balance at January 1, 2014	$77,993	$78,140	$468,158	$ (12,694)	$(40,291)	$571,306
Net income for six months ended June 30, 2014	—	—	28,753	—	—	28,753
Other comprehensive income (loss), net of tax	—	—	—	6,668	—	6,668
Cash dividends declared ($0.33 per share)	—	—	(9,810)	—	—	(9,810)
Treasury stock issued for restricted awards (80,455 shares, net of 20,976 forfeitures)	—	—	(1,824)	—	1,664	(160)
Recognition of restricted stock compensation expense	—	430	—	—	—	430
Balance at June 30, 2014	$77,993	$78,570	$485,277	$ (6,026)	$(38,627)	$597,187
Balance at January 1, 2015	$77,993	$78,818	$504,060	$ (13,833)	$(38,649)	$608,389
Net income for six months ended June 30, 2015	—	—	31,023	—	—	31,023
Other comprehensive income (loss), net of tax	—	—	—	312	—	312
Cash dividends declared ($0.36 per share)	—	—	(11,608)	—	—	(11,608)
Common stock issued in acquisition (4,933,115 shares)	12,333	130,136	—	—	—	142,469
Treasury stock issued for restricted awards (87,841 shares, net of 4,630 forfeitures)	—	—	(2,419)	—	2,308	(111)
Recognition of restricted stock compensation expense	—	858	—	—	—	858
Tax benefit from stock-based compensation		29				29
Issuance costs	—	(132)	—	—	—	(132)
Balance at June 30, 2015	$90,326	$209,709	$521,056	$ (13,521)	$(36,341)	$771,229

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

	Six Months Ended June 30,	
(dollars in thousands)	2015	2014
OPERATING ACTIVITIES		
Net income	$31,023	$28,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,266	(845)
Provision for unfunded loan commitments	605	182
Depreciation, amortization and accretion	388	2,309
Net amortization of discounts and premiums on securities	1,802	1,898
Stock-based compensation expense	769	395
Securities losses (gains), net	34	(41)
Tax benefit from stock-based compensation	(29)	—
Mortgage loans originated for sale	(52,075)	(13,057)
Proceeds from the sale of loans	42,008	13,475
Gain on the sale of loans, net	(597)	(85)
Net increase in interest receivable	(2,542)	(243)
Net decrease in interest payable	(475)	(186)
Net decrease in other assets	1,854	10,016
Net (decrease) increase in other liabilities	(811)	1,199
Net Cash Provided by Operating Activities	25,220	43,770
INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(54,754)	(108,845)
Proceeds from maturities, prepayments and calls of securities available-for-sale	26,096	36,343
Proceeds from sales of securities available-for-sale	11,119	1,418
Net purchases of Federal Home Loan Bank stock	(334)	(2,189)
Net increase in loans	(141,911)	(169,209)
Proceeds from sale of loans not originated for resale	—	4,108
Purchases of premises and equipment	(2,465)	(1,719)
Proceeds from the sale of premises and equipment	27	64
Net cash paid in excess of cash acquired from bank merger	(16,347)	—
Net Cash Used in Investing Activities	(178,569)	(240,029)
FINANCING ACTIVITIES		
Net increase in core deposits	297,340	141,888
Net (decrease) increase in certificates of deposit	(68,397)	50,972
Net increase (decrease) in securities sold under repurchase agreements	15,630	(8,578)
Net (decrease) increase in short-term borrowings	(127,686)	45,000
Proceeds from long-term borrowings	100,000	—
Repayments of long-term borrowings	(1,214)	(1,174)
Repayment of junior subordinated debt	(13,500)	—
Treasury shares issued-net	(111)	(160)
Issuance costs	(132)	—
Cash dividends paid to common shareholders	(11,608)	(9,810)
Tax benefit from stock-based compensation	29	—
Net Cash Provided by Financing Activities	190,351	218,138
Net increase in cash and cash equivalents	37,002	21,879

Cash and cash equivalents at beginning of period	109,580	108,356
Cash and Cash Equivalents at End of Period	$146,582	$130,235
Supplemental Disclosures		
Loans transferred to held for sale	$—	$1,300
Interest paid	$7,619	$6,278
Income taxes paid, net of refunds	$9,275	$8,400
Net assets acquired from bank merger, excluding cash and cash equivalents	$43,433	$—
Transfers of loans to other real estate owned	$137	$274

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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

Repurchase-To-Maturity Transactions, Repurchase Financings, and Disclosures

In June 2014, the Financial Accounting Standards Board, or FASB, issued ASU No. 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures which introduces two accounting changes to the Transfers and Servicing guidance (Topic 860). Repurchase-to-maturity transactions will be accounted for as secured borrowing transactions on the balance sheet and for repurchase financing arrangements, an entity will account separately for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. This will also generally result in secured borrowing accounting for the repurchase agreement. With respect to disclosures, a transferor is required to disclose information about transactions accounted for as a sale in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets through an agreement with the transferee. Additionally, new disclosures are required for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. The new disclosure for transactions accounted for as secured borrowings is required for interim periods beginning after March 15, 2015. These new disclosures are included in Note 9. Borrowings. The adoption of this ASU had no impact on our results of operations or financial position.

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

In April 2014, the 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

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

NOTE 1. BASIS OF PRESENTATION - continued

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 was permitted. The adoption of this ASU had no impact on our results of operations or financial position.

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 was 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 was 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.

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 related 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 ASU 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. We do not expect that this ASU will have a material impact on our results of operations or financial position.
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 in 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 do not expect that this ASU will have a material impact on our results of operations or financial position.

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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. The merger of Integrity Bank into S&T Bank, with S&T Bank surviving the merger, and related system conversion occurred on May 8, 2015.

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 from March 4, 2015, until it was merged into S&T Bank on May 8, 2015. The assets acquired and liabilities assumed were recorded at their respective fair values and represent management's estimates based on available information. During the three months ended June 30, 2015, an additional $0.6 million of purchase accounting adjustments were recognized that increased goodwill. The change to goodwill primarily related to a fair value adjustment made on land acquired in the Merger where we own a branch office.

Goodwill of $115.4 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 as of June 30, 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	10,855
Core deposit intangible	5,713
Other assets	19,555
Total Assets Acquired	865,449
Fair Value of Liabilities Assumed	
Deposits	722,308
Borrowings	82,286
Other liabilities	4,259
Total Liabilities Assumed	808,853

Total Fair Value of Identifiable Net Assets	56,596
Goodwill	$115,383

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 may be accreted to interest income over the remaining contractual life of the loans. Acquired loans included $331.6 million of commercial real estate, or CRE, $184.2 million of commercial and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 2. BUSINESS COMBINATIONS - continued

industrial, or C&I, $92.4 million of commercial construction, $116.9 million of residential mortgage, $25.6 million of home equity, $36.1 million of installment and other consumer and $1.9 million of consumer construction.

Direct costs related to the Merger were expensed as incurred. During the six months ended June 30, 2015, we recognized $3.2 million of merger related expenses, including $1.3 million for data processing contract termination and system conversion costs, $1.2 million in legal and professional expenses, $0.4 million in severance payments and $0.3 million in other expenses.

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 June 30,		Six Months Ended June 30,	
(dollars in thousands, except per share data)	2015	2014	2015	2014
Total revenue[1]	$60,307	$57,921	$118,992	$115,045
Net income [2]	$18,816	$17,765	$32,728	$33,697
Earnings per common share: [2]				
Basic	$0.54	$0.51	$0.95	$0.97
Diluted	$0.54	$0.51	$0.94	$0.97

[1]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.

[2]Excludes merger expenses

Pro forma adjustments include intangible amortization expense, net amortization or accretion of valuation amounts and income tax expense. The pro forma results are not indicative of the results of operations that would have occurred had the Merger taken place at the beginning of the periods presented nor are they intended to be indicative of results that may occur in the future.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 3. EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except shares and per share data)	2015	2014	2015	2014
Numerator for Earnings per Share—Basic:				
Net income	$18,188	$14,720	$31,023	$28,753
Less: Income allocated to participating shares	79	29	123	64
Net Income Allocated to Shareholders	$18,109	$14,691	$30,900	$28,689
Numerator for Earnings per Share—Diluted:				
Net income	18,188	14,720	$31,023	$28,753
Net Income Available to Shareholders	$18,188	$14,720	$31,023	$28,753
Denominators for Earnings per Share:				
Weighted Average Shares Outstanding—Basic	34,652,895	29,684,300	32,951,936	29,672,611
Add: Potentially dilutive shares	28,283	16,894	36,359	27,559
Denominator for Treasury Stock Method—Diluted	34,681,178	29,701,194	32,988,295	29,700,170
Weighted Average Shares Outstanding—Basic	34,652,895	29,684,300	32,951,936	29,672,611
Add: Average participating shares outstanding	151,134	58,973	131,563	66,563
Denominator for Two-Class Method—Diluted	34,804,029	29,743,273	33,083,499	29,739,174
Earnings per share—basic	$0.52	$0.49	$0.94	$0.97
Earnings per share—diluted	$0.52	$0.49	$0.94	$0.97
Warrants considered anti-dilutive excluded from potentially dilutive shares - exercise price $31.53 per share, expires January 2019	517,012	517,012	517,012	517,012
Stock options considered anti-dilutive excluded from potentially dilutive shares	155,500	428,493	155,500	428,676
Restricted stock considered anti-dilutive excluded from potentially dilutive shares	122,851	42,079	95,204	39,005

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 marketable 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. Marketable equity 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 impaired 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.
Federal Home Loan Bank, or 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; therefore, it is presented at carrying 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 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; therefore, the fair values approximate the carrying values.

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

NOTE 4. FAIR VALUE MEASUREMENTS – continued

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 June 30, 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 six month period ended June 30, 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.

	June 30, 2015			
(dollars in thousands)	Level 1	Level 2	Level 3	Total
ASSETS				
Securities available-for-sale:				
U.S. Treasury securities	$—	$15,018	$—	$15,018
Obligations of U.S. government corporations and agencies	—	270,112	—	270,112
Collateralized mortgage obligations of U.S. government corporations and agencies	—	139,577	—	139,577
Residential mortgage-backed securities of U.S. government corporations and agencies	—	43,419	—	43,419
Commercial mortgage-backed securities of U.S. government corporations and agencies	—	49,676	—	49,676
Obligations of states and political subdivisions	—	139,947	—	139,947
Marketable equity securities	—	8,875	—	8,875
Total securities available-for-sale	—	666,624	—	666,624
Trading securities held in a Rabbi Trust	3,796	—	—	3,796
Total securities	3,796	666,624	—	670,420
Derivative financial assets:				
Interest rate swaps	—	11,013	—	11,013
Interest rate lock commitments	—	366	—	366
Forward sale contracts	—	17	—	17
Total Assets	$3,796	$678,020	$—	$681,816
LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	$—	$10,994	$—	$10,994
Total Liabilities	$—	$10,994	$—	$10,994

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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 or liabilities measured at fair value on a recurring basis for which we have utilized Level 3 inputs to determine the fair value at either June 30, 2015 or December 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 June 30, 2015 and December 31, 2014. There were no liabilities measured at fair value on a nonrecurring basis during these periods.

	June 30, 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	$—	$—	$2,900	$2,900	$—	$—	$—	$—
Impaired loans	—	—	13,913	13,913	—	—	12,916	12,916
Other real estate owned	—	—	747	747	—	—	117	117
Mortgage servicing rights	—	—	721	721	—	—	1,176	1,176
Total Assets	$—	$—	$18,281	$18,281	$—	$—	$14,209	$14,209

[(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 June 30, 2015 and December 31, 2014 are presented in the following tables:

	Carrying	Fair Value Measurements at June 30, 2015			
(dollars in thousands)	Value[(1)]	Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	$146,582	$146,582	$146,582	$—	$—
Securities available-for-sale	666,624	666,624	—	666,624	—
Loans held for sale	13,634	13,722	—	—	13,722
Portfolio loans, net of unearned income	4,798,498	4,774,871	—	—	4,774,871
Bank owned life insurance	79,314	79,314	—	79,314	—
FHLB and other restricted stock	23,553	23,553	—	—	23,553
Trading securities held in a Rabbi Trust	3,796	3,796	3,796	—	—
Mortgage servicing rights	2,974	3,137	—	—	3,137
Interest rate swaps	11,013	11,013	—	11,013	—
Interest rate lock commitments	366	366	—	366	—
Forward sale contracts	17	17	—	17	—
LIABILITIES					
Deposits	$4,859,415	$4,865,521	$—	$—	$4,865,521
Securities sold under repurchase agreements	46,235	46,235	—	—	46,235
Short-term borrowings	230,975	230,975	—	—	230,975
Long-term borrowings	118,228	119,148	—	—	119,148
Junior subordinated debt securities	45,619	45,619	—	—	45,619
Interest rate swaps	10,994	10,994	—	10,994	—

(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

(dollars in thousands)	Carrying Value[1]	Fair Value Measurements at December 31, 2014 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:

	June 30, 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	$14,893	$125	$—	$15,018	$14,873	$7	$—	$14,880
Obligations of U.S. government corporations and agencies	267,604	2,935	(427)	270,112	268,029	2,334	(1,078)	269,285
Collateralized mortgage obligations of U.S. government corporations and agencies	138,160	1,549	(132)	139,577	116,897	1,257	(148)	118,006
Residential mortgage-backed securities of U.S. government corporations and agencies	42,155	1,450	(186)	43,419	45,274	1,548	(154)	46,668
Commercial mortgage-backed securities of U.S. government corporations and agencies	49,737	312	(373)	49,676	39,834	232	(393)	39,673
Obligations of states and political subdivisions	136,540	3,927	(520)	139,947	136,977	5,789	(64)	142,702
Debt Securities	649,089	10,298	(1,638)	657,749	621,884	11,167	(1,837)	631,214
Marketable equity securities	7,579	1,296	—	8,875	7,579	1,480	—	9,059
Total	$656,668	$11,594	$(1,638)	$666,624	$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 June 30,		Six Months Ended June 30,	
(dollars in thousands)	2015	2014	2015	2014
Gross realized gains	$—	$40	$—	$41
Gross realized losses	34	—	34	—
Net Realized Gains	$(34)	$40	$(34)	$41

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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:

(dollars in thousands)	June 30, 2015 Less Than 12 Months Number of Securities	Fair Value	Unrealized Losses	12 Months or More Number of Securities	Fair Value	Unrealized Losses	Total Number of Securities	Fair Value	Unrealized Losses
Obligations of U.S. government corporations and agencies	4	$ 33,489	$ (215)	4	$ 30,033	$ (212)	8	$ 63,522	$ (427)
Collateralized mortgage obligations of U.S. government corporations and agencies	2	17,288	(132)	—	—	—	2	17,288	(132)
Residential mortgage-backed securities of U.S. government corporations and agencies	2	10,704	(186)	—	—	—	2	10,704	(186)
Commercial mortgage-backed securities of U.S. government corporations and agencies	2	20,976	(180)	1	9,610	(193)	3	30,586	(373)
Obligations of states and political subdivisions	10	42,967	(520)	—	—	—	10	42,967	(520)
Total Temporarily Impaired Securities	20	$ 125,424	$ (1,233)	5	$ 39,643	$ (405)	25	$ 165,067	$ (1,638)

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

agencies									
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 June 30, 2015 represents an other than temporary impairment. As of June 30, 2015, the unrealized losses on 25 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 June 30, 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 (loss)/income for the periods presented:

	June 30, 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	$11,594	$(1,638)	$9,956	$12,647	$(1,837)	$ 10,810
Income tax expense/(benefit)	4,058	(573)	3,485	4,426	(643)	3,783
Net unrealized gains/(losses), net of tax included in accumulated other comprehensive income/(loss)	$7,536	$(1,065)	$6,471	$8,221	$(1,194)	$ 7,027

The amortized cost and fair value of securities available-for-sale at June 30, 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.

	June 30, 2015	
(dollars in thousands)	Amortized Cost	Fair Value
Obligations of the U.S. Treasury, U.S. government corporations and agencies, and obligations of states and political subdivisions		
Due in one year or less	$29,892	$30,223
Due after one year through five years	215,038	217,163
Due after five years through ten years	80,796	82,406
Due after ten years	93,311	95,285
	419,037	425,077
Collateralized mortgage obligations of U.S. government corporations and agencies	138,160	139,577
Residential mortgage-backed securities of U.S. government corporations and agencies	42,155	43,419
Commercial mortgage-backed securities of U.S. government corporations and agencies	49,737	49,676
Debt Securities	649,089	657,749
Marketable equity securities	7,579	8,875
Total	$656,668	$666,624

At June 30, 2015 and December 31, 2014, securities with carrying values of $326.3 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 $14.0 million and $2.1 million at June 30, 2015 and December 31, 2014. Included in the $14.0 million is a $14.7 million net discount related to purchase accounting fair value adjustments. The following table indicates the composition of the loans as of the dates presented:

(dollars in thousands)	June 30, 2015	December 31, 2014
Commercial		
Commercial real estate	$2,054,935	$1,682,236
Commercial and industrial	1,239,382	994,138
Commercial construction	344,983	216,148
Total Commercial Loans	3,639,300	2,892,522
Consumer		
Residential mortgage	599,502	489,586
Home equity	457,813	418,563
Installment and other consumer	94,437	65,567
Consumer construction	7,446	2,508
Total Consumer Loans	1,159,198	976,224
Total Portfolio Loans	4,798,498	3,868,746
Loans held for sale	13,634	2,970
Total Loans	$4,812,132	$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 76 percent of total portfolio loans at June 30, 2015 and 75 percent of total portfolio loans at December 31, 2014. Within our commercial portfolio, the CRE and commercial construction portfolios combined comprised $2.4 billion or 66 percent of total commercial loans and 50 percent of total portfolio loans at June 30, 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, $424.0 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 7.0 percent of total loans at June 30, 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 6.3 percent of the combined portfolio and 3.1 percent of total loans at June 30, 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

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

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 as of the dates presented:

	June 30, 2015			December 31, 2014		
(dollars in thousands)	Performing TDRs	Nonperforming TDRs	Total TDRs	Performing TDRs	Nonperforming TDRs	Total TDRs
Commercial real estate	$13,045	$ 3,553	$16,598	$16,939	$ 2,180	$19,119
Commercial and industrial	7,899	2,226	10,125	8,074	356	8,430
Commercial construction	5,655	1,969	7,624	5,736	1,869	7,605
Residential mortgage	2,622	609	3,231	2,839	459	3,298
Home equity	3,302	411	3,713	3,342	562	3,904
Installment and other consumer	36	160	196	53	10	63
Total	$32,559	$ 8,928	$41,487	$36,983	$ 5,436	$42,419

There were six TDRs that returned to accruing status totaling $0.3 million during the three and six months ended June 30, 2015 and there were no TDRs that returned to accruing status for the three and six months ended June 30, 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 during the periods presented:

	Three Months Ended June 30, 2015				Three Months Ended June 30, 2014			
(dollars in thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment[1]	Post-Modification Outstanding Recorded Investment[1]	Total Difference in Recorded Investment	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	—	$ —	$ —	$—	1	$ 129	$ 127	$(2)
Commercial and industrial								
Principal forgiveness	1	400	400	—	—	—	—	—
Residential mortgage								
Chapter 7 bankruptcy[2]	—	—	—	—	1	52	52	—
Maturity date extension and interest rate reduction	2	225	225	—	—	—	—	—
Home equity								
Chapter 7 bankruptcy[2]	4	171	171	—	4	43	41	(2)
Installment and other consumer								
Chapter 7 bankruptcy[2]	—	—	—	$—	1	9	9	$—
Total by Concession Type								
Principal forgiveness	1	$ 400	$ 400	$—	—	$ —	$ —	$—
Principal deferral	—	—	—	—	1	129	127	(2)
Maturity date extension and interest rate reduction	2	225	225	—	—	—	—	—
Chapter 7 bankruptcy[2]	4	171	171	—	6	104	102	(2)
Total	7	$ 796	$ 796	$—	7	$ 233	$ 229	$(4)

[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.

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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

	Six Months Ended June 30, 2015				Six Months Ended June 30, 2014			
(dollars in thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment[1]	Post-Modification Outstanding Recorded Investment[1]	Total Difference in Recorded Investment	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	$—	1	$ 129	$ 127	$(2)
Commercial and industrial								
Principal forgiveness	1	400	400	—	—	—	—	—
Principal deferral	6	661	661	—	—	—	—	—
Chapter 7 bankruptcy[2]	1	3	1	(2)	1	287	286	(1)
Maturity date extension	1	780	765	(15)	—	—	—	—
Commercial Construction								
Principal deferral	1	104	103	(1)	—	—	—	—
Maturity date extension	—	—	—	—	1	1,019	1,019	—
Residential mortgage								
Chapter 7 bankruptcy[2]	—	—	—	—	5	329	327	(2)
Maturity date extension and interest rate reduction	2	225	225	—	—	—	—	—
Home equity								
Chapter 7 bankruptcy[2]	12	313	304	(9)	10	269	251	(18)
Maturity date extension	1	71	71	—	—	—	—	—
Installment and other consumer								
Chapter 7 bankruptcy[2]	—	—	—	$—	1	9	9	$—
Total by Concession Type								
Principal forgiveness	1	$ 400	$ 400	$—	—	$ —	$ —	$—

Principal deferral	9	3,616	3,615	(1)	1	129	127	(2)
Chapter 7 bankruptcy[2]	13	316	305	(11)	17	894	873	(21)
Maturity date extension and interest rate reduction	2	225	225	—	—	—	—	—
Maturity date extension	2	851	836	(15)	1	1,019	1,019	—
Total	27	5,408	5,381	$(27)	19	$ 2,042	$ 2,019	$(23)

[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 June 30, 2015, we modified four C&I loans totaling $5.5 million, four commercial construction loans totaling $1.3 million, one CRE loan totaling $0.8 million and two home equity loans totaling $0.2 million that were not considered to be TDRs. For the six months ended June 30, 2015 we modified six C&I loans totaling $5.7 million, four commercial construction loans totaling $1.3 million, three CRE loans totaling $1.0 million and two home equity loans totaling $0.2 million that were not considered to be TDRs. The modifications represented instances where there were insignificant delays in payment of three months or less or we concluded that no concession was granted. As of June 30, 2015 we have no commitments to lend additional funds on any TDRs.

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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			
	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014	
(dollars in thousands)	Number of Defaults	Recorded Investment	Number of Defaults	Recorded Investment
Home equity	2	$119	—	$—
Total	2	$119	—	$—

	Defaulted TDRs			
	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
(dollars in thousands)	Number of Defaults	Recorded Investment	Number of Defaults	Recorded Investment
Residential mortgage	1	$183	1	$72
Home equity	3	124	—	—
Total	4	$307	1	$72

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

	Nonperforming Assets	
(dollars in thousands)	June 30, 2015	December 31, 2014
Nonperforming Assets		
Nonaccrual loans	$10,211	$7,021
Nonaccrual TDRs	8,928	5,436
Total nonaccrual loans	19,139	12,457
OREO	750	166
Total Nonperforming Assets	$19,889	$12,623

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

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 June 30, 2015 and December 31, 2014:

	June 30, 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	$2,032,731	$9,656	$3,518	$1,721	$7,309	$22,204	$2,054,935
Commercial and industrial	1,231,221	2,875	2,143	—	3,143	8,161	1,239,382
Commercial construction	333,897	4,474	—	2,140	4,472	11,086	344,983
Residential mortgage	593,043	1,732	1,770	947	2,010	6,459	599,502
Home equity	453,279	1,971	430	107	2,026	4,534	457,813
Installment and other consumer	93,223	261	774	—	179	1,214	94,437
Consumer construction	7,446	—	—	—	—	—	7,446
Loans held for sale	13,634	—	—	—	—	—	13,634
Totals	$4,758,474	$20,969	$8,635	$4,915	$19,139	$53,658	$4,812,132

(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:

	June 30, 2015								
(dollars in thousands)	Commercial Real Estate	% of Total		Commercial and Industrial	% of Total		Commercial Construction	% of Total		Total	% of Total	
Pass	$1,976,311	96.2	%	$1,158,898	93.5	%	$300,968	87.3	%	$3,436,177	94.4	%
Special mention	33,328	1.6	%	60,251	4.9	%	26,276	7.6	%	119,855	3.3	%
Substandard	45,296	2.2	%	20,233	1.6	%	17,739	5.1	%	83,268	2.3	%
Total	$2,054,935	100	%	$1,239,382	100.0	%	$344,983	100.0	%	$3,639,300	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:

	June 30, 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	$597,492	99.7	%	$455,787	99.6	%	$94,258	99.8	%	$7,446	100.0	%	$1,154,983	99.6	%
Nonperforming	2,010	0.3	%	2,026	0.4	%	179	0.2	%	—	—	%	4,215	0.4	%
Total	$599,502	100.0	%	$457,813	100.0	%	$94,437	100.0	%	$7,446	100.0	%	$1,159,198	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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S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

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:

	June 30, 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	$18,548	$25,698	$—	$19,890	$25,262	$—
Commercial and industrial	10,125	11,877	—	9,218	9,449	—
Commercial construction	9,293	12,983	—	7,605	11,293	—
Consumer real estate	6,824	7,527	—	7,159	7,733	—
Other consumer	192	197	—	42	48	—
Total without a Related Allowance Recorded	44,982	58,282	—	43,914	53,785	—
With a related allowance recorded:						
Commercial real estate	749	749	567	—	—	—
Commercial and industrial	—	—	—	—	—	—
Commercial construction	—	—	—	—	—	—
Consumer real estate	120	120	37	43	43	43
Other consumer	4	4	4	20	20	11
Total with a Related Allowance Recorded	873	873	608	63	63	54
Total:						
Commercial real estate	19,297	26,447	567	19,890	25,262	—
Commercial and industrial	10,125	11,877	—	9,218	9,449	—
Commercial construction	9,293	12,983	—	7,605	11,293	—
Consumer real estate	6,944	7,647	37	7,202	7,776	43
Other consumer	196	201	4	62	68	11
Total	$45,855	$59,155	$608	$43,977	$53,848	$54

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

	Three Months Ended			
	June 30, 2015		June 30, 2014	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Without a related allowance recorded:				
Commercial real estate	$19,733	$158	$21,382	$159
Commercial and industrial	10,782	84	9,317	57
Commercial construction	8,119	81	8,279	57
Consumer real estate	6,891	91	7,166	100
Other consumer	126	4	109	1
Total without a Related Allowance Recorded	45,651	418	46,253	374
With a related allowance recorded:				
Commercial real estate	420	—	—	—
Commercial and industrial	—	—	—	—
Commercial construction	—	—	—	—
Consumer real estate	121	2	48	1
Other consumer	4	—	22	—
Total with a Related Allowance Recorded	545	2	70	1
Total:				
Commercial real estate	20,153	158	21,382	159
Commercial and industrial	10,782	84	9,317	57
Commercial construction	8,119	81	8,279	57
Consumer real estate	7,012	93	7,214	101
Other consumer	130	4	131	1
Total	$46,196	$420	$46,323	$375

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

NOTE 7. ALLOWANCE FOR LOAN LOSSES – continued

	Six Months Ended			
	June 30, 2015		June 30, 2014	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Without a related allowance recorded:				
Commercial real estate	$20,455	$322	$21,980	$329
Commercial and industrial	11,162	146	9,066	114
Commercial construction	6,628	134	8,301	114
Consumer real estate	6,943	186	7,260	203
Other consumer	86	4	112	2
Total without a Related Allowance Recorded	45,274	792	46,719	762
With a related allowance recorded:				
Commercial real estate	$211	$—	$—	$—
Commercial and industrial	—	—	—	—
Commercial construction	—	—	—	—
Consumer real estate	122	3	50	2
Other consumer	4	—	23	1
Total with a Related Allowance Recorded	337	3	73	3
Total:				
Commercial real estate	20,666	322	21,980	329
Commercial and industrial	11,162	146	9,066	114
Commercial construction	6,628	134	8,301	114
Consumer real estate	7,065	189	7,310	205
Other consumer	90	4	135	3
Total	$45,611	$795	$46,792	$765

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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 detail activity in the ALL for the periods presented:

	Three Months Ended June 30, 2015					
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Other Consumer	Total Loans
Balance at beginning of period	$19,071	$ 13,711	$6,869	$6,723	$1,732	$48,106
Charge-offs	(310)	(992)	—	(177)	(276)	(1,755)
Recoveries	73	89	1	112	129	404
Net (Charge-offs)/ Recoveries	(237)	(903)	1	(65)	(147)	(1,351)
Provision for loan losses	184	500	801	369	205	2,059
Balance at End of Period	$19,018	$ 13,308	$7,671	$7,027	$1,790	$48,814

	Three Months Ended June 30, 2014					
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Other Consumer	Total Loans
Balance at beginning of period	$19,880	$ 13,979	$5,183	$6,408	$1,166	$46,616
Charge-offs	(1,737)	(743)	(664)	(425)	(177)	(3,746)
Recoveries	1,294	2,936	324	164	126	4,844
Net (Charge-offs)/ Recoveries	(443)	2,193	(340)	(261)	(51)	1,098
Provision for loan losses	1,296	(3,168)	(84)	558	264	(1,134)
Balance at End of Period	$20,733	$ 13,004	$4,759	$6,705	$1,379	$46,580

	Six Months Ended June 30, 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	(376)	(1,698)	—	(552)	(579)	(3,205)
Recoveries	176	203	2	248	213	842
Net (Charge-offs)/Recoveries	(200)	(1,495)	2	(304)	(366)	(2,363)
Provision for loan losses	(946)	1,135	1,576	998	503	3,266
Balance at End of Period	$19,018	$ 13,308	$7,671	$7,027	$1,790	$48,814

	Six Months Ended June 30, 2014					
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Other Consumer	Total Loans
	$18,921	$ 14,433	$5,374	$6,362	$1,165	$46,255

Balance at beginning of period						
Charge-offs	(2,004)	(1,033)	(692)	(547)	(445)	(4,721)
Recoveries	1,834	3,249	375	223	210	5,891
Net (Charge-offs)/Recoveries	(170)	2,216	(317)	(324)	(235)	1,170
Provision for loan losses	1,982	(3,645)	(298)	667	449	(845)
Balance at End of Period	$20,733	$ 13,004	$4,759	$6,705	$1,379	$46,580

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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 ALL and recorded investments in loans by category as of the periods presented:

	June 30, 2015					
	Allowance for Loan Losses			Portfolio Loans		
(dollars in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total[1]
Commercial real estate	$567	$ 18,451	$19,018	$19,297		