UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2011

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 of organization)	(I.R.S. Employer Identification No.)
800 Philadelphia Street, Indiana, PA	**15701**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $2.50 per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: **None**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this form 10-K. ¨

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 (§ 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 smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer x

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ¨ No x

The aggregate estimated fair value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2011:

Common Stock, $2.50 par value $505,369,206

The number of shares outstanding of the issuer s classes of common stock as of January 31, 2012:

Common Stock, $2.50 par value 28,133,371 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement to be filed with the Securities and Exchange Commission for the annual shareholders meeting to be held April 23, 2012 are incorporated by reference into Part III.

Table of Contents

Table of Contents

PART I

Item 1. BUSINESS

General

S&T Bancorp, Inc., or S&T, references to we , us or our refers to S&T, including on a consolidated basis with our subsidiaries where appropriate, was incorporated on March 17, 1983 under the laws of the Commonwealth of Pennsylvania as a bank holding company and has three wholly owned subsidiaries, S&T Bank, 9th Street Holdings, Inc. and STBA Capital Trust I. We also own a one-half interest in Commonwealth Trust Credit Life Insurance Company, or CTCLIC. We are registered as a financial holding company with the Board of Governors of the Federal Reserve System, or the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended, or the BHCA. As of December 31, 2011, we had approximately $4.1 billion in assets, $3.1 billion in loans, $3.3 billion in deposits and $490.5 million in shareholder s equity.

S&T Bank is a full service bank with its Main Office at 800 Philadelphia Street, Indiana, Pennsylvania, providing services to its customers through offices located in Allegheny, Armstrong, Blair, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson and Westmoreland counties of Pennsylvania. S&T Bank deposits are insured by the Federal Deposit Insurance Corporation, or FDIC, to the maximum extent provided by law.

S&T Bank has four wholly owned subsidiaries: S&T Insurance Group, LLC, S&T Professional Resources Group, LLC, S&T Bancholdings, Inc. and Stewart Capital Advisors, LLC. S&T Insurance Group, LLC, through its subsidiaries, offers a variety of insurance products. S&T Professional Resources Group, LLC markets software developed by S&T Bank. S&T Bancholdings, Inc. is an investment company. Stewart Capital Advisors, LLC, is a registered investment advisor that manages private investment accounts for individuals and institutions and advises the Stewart Capital Mid Cap Fund.

We operate three reportable operating segments including Community Banking, Wealth Management and Insurance. Our Community Banking segment offers services which include accepting time and demand deposit accounts, originating commercial and consumer loans, and providing letters of credit and credit card services. We believe that we have a relatively stable deposit base and no material amount of deposits is obtained from a single depositor or group of depositors (including federal, state and local governments). Our core deposit base remained strong in 2011.

The Wealth Management segment offers discount brokerage services, services as executor and trustee under wills and deeds, guardian and custodian of employee benefits and other trust and brokerage services, as well as a registered investment advisor that manages private investment accounts for individuals and institutions. Total Wealth Management assets under management and administration were approximately $1.5 billion at December 31, 2011.

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

Recent Developments

On September 14, 2011, we announced the signing of a definitive merger agreement to acquire Mainline Bancorp, Inc., or Mainline, a bank holding company based in Ebensburg, Pennsylvania. Mainline, with approximately $236 million in assets, maintains eight offices in Cambria and Blair counties in Pennsylvania. The transaction, valued at approximately $21 million, is expected to be completed in the first quarter of 2012 pending the approval of the shareholders of Mainline and satisfaction of other customary closing conditions.

On December 7, 2011, we announced that we redeemed all of the preferred stock that we sold to the U.S. Department of the Treasury in January of 2009 as part of the Capital Purchase Program, or the CPP. The redemption of the preferred stock was approved without any conditions from regulators.

Item 1. BUSINESS continued

We used available cash to fund the repurchase of the outstanding preferred stock for $108.7 million and the payment of the final dividend of $0.3 million. Refer to Capital Purchase Program later in this section for further information.

Employees

As of December 31, 2011, we had 909 full-time equivalent employees.

Access to United States Securities and Exchange Commission Filings

All of our reports filed electronically with the United States Securities and Exchange Commission, or the SEC, including this Annual Report on Form 10-K for the fiscal year ended December 31, 2011, or the Report, our prior annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and our annual proxy statements, as well as any amendments to those reports are accessible at no cost on our website at www.stbancorp.com under Financial Information, SEC Filings. These filings are also accessible on the SEC s website at www.sec.gov. You may read and copy any material we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our charters of the Audit Committee, the Compensation and Benefits Committee, the Nominating and Corporate Governance Committee, the Wealth Management Oversight Committee, Complaints Regarding Accounting Internal Accounting Controls or Auditing Matters, or the Whistleblower Policy, the Code of Conduct for the CEO and CFO, the General Code of Conduct, the Shareholder Communications Policy, and S&T Excessive and Luxury Expenditure Policy are also available at www.stbancorp.com under Corporate Governance.

Supervision and Regulation

General

S&T and S&T Bank are each extensively regulated under federal and state law. The following describes certain aspects of that regulation and does not purport to be a complete description of all regulations that affect S&T and S&T Bank or all aspects of those regulations.

To the extent statutory or regulatory provisions are described, the description is qualified in its entirety by reference to the particular statutory or regulatory provisions. Proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures and before the various bank regulatory agencies. The likelihood and timing of any changes and the impact such changes might have on S&T or S&T Bank is impossible to determine with any certainty.

Any change in applicable laws or regulations, or in the way such laws or regulations are interpreted by regulatory agencies or courts, may have a material impact on our business, operations and earnings.

S&T

We are a bank holding company subject to regulation under the BHCA and the examination and reporting requirements of the Federal Reserve Board. Under the BHCA, a bank holding company may not directly or indirectly acquire ownership or control of more than five percent of the voting shares or substantially all of the assets of any additional bank, or merge or consolidate with another bank holding company, without the prior approval of the Federal Reserve Board. We have received approval from the Federal Reserve Board for a passive ownership position in Allegheny Valley Bancorp, Inc. (14.5 percent).

As a bank holding company, we are expected under statutory and regulatory provisions to serve as a source of financial and managerial strength to our subsidiary bank. A bank holding company is also expected to commit resources, including capital and other funds, to support its subsidiary bank.

Table of Contents

Item 1. BUSINESS continued

We elected to become a financial holding company under the BHCA in 2001 and thereby engage in a broader range of financial and other activities than are permissible for traditional bank holding companies. In order to qualify and maintain our status as a financial holding company, the depository institutions controlled by us must remain well-capitalized, well-managed (as defined in federal law) and have at least a satisfactory Community Reinvestment Act, or CRA rating. Refer to Item 8, Note 21 Regulatory Matters, of this Report for information concerning the current capital ratios of S&T and S&T Bank. No prior regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. The BHCA identifies several activities as financial in nature including, among others, securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and sales agency; investment advisory activities; merchant banking activities; and activities that the Federal Reserve Board has determined to be closely related to banking or a proper incident thereto. Banks may also engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment, through a financial subsidiary of the bank, if the bank is well-capitalized, well-managed and has at least a satisfactory CRA rating. On July 21, 2010, the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act into law, which required that we also remain well-capitalized and well-managed in order to maintain our status as a financial holding company as of July 21, 2011, which is the Designated Transfer Date. Additionally, the Dodd-Frank Act requires a financial holding company to obtain prior regulatory approval to acquire any company with consolidated assets that exceed $10.0 billion.

If S&T and S&T Bank cease to be well-capitalized or well-managed, we will not be in compliance with the requirements of the BHCA regarding financial holding companies. If a financial holding company is notified by the Federal Reserve Board of such a change in the ratings of any of its subsidiary banks, it must take certain corrective actions within specified time frames. Furthermore, if S&T Bank were to receive a CRA rating of less than satisfactory, then we would be prohibited from engaging in new activities or acquiring companies until the rating is raised to satisfactory or better.

We are presently engaged in nonbanking activities through the following six entities:

- 9th Street Holdings, Inc. was formed in June 1988 to hold and manage a group of investments previously owned by S&T Bank and to give us additional latitude to purchase other investments.
- S&T Bancholdings, Inc. was formed in August 2002 to hold and manage a group of investments previously owned by S&T Bank and to give us additional latitude to purchase other investments.
- CTCLIC is a joint venture with another financial institution, acting as a reinsurer of credit life, accident and health insurance policies sold by S&T Bank and the other institution.
- S&T Insurance Group, LLC distributes life insurance and long-term disability income insurance products. During 2001, S&T Insurance Group, LLC and Attorneys Abstract Company, Inc. entered into an agreement to form S&T Settlement Services, LLC or STSS, with respective ownership interests of 55 percent and 45 percent. STSS is a title insurance agency servicing commercial customers. During 2002, S&T Insurance Group, LLC expanded into the property and casualty insurance business with the acquisition of S&T-Evergreen Insurance LLC.
- S&T Professional Resources Group LLC markets software developed by S&T Bank.
- Stewart Capital Advisors, LLC was formed in August 2005 and is a registered investment advisor that manages private investment accounts for individuals and institutions and advises the Stewart Capital Mid Cap Fund.

Item 1. BUSINESS continued

S&T Bank

As a state-chartered, commercial bank, the deposits of S&T Bank are insured by the FDIC, S&T Bank is subject to the supervision and regulation of the Pennsylvania Department of Banking, or PADB and the FDIC. We are also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types, amount and terms and conditions of loans that may be granted and limits on the type of other activities in which S&T Bank may engage and the investments it may make.

In addition, S&T Bank is subject to affiliate transaction rules in Sections 23A and 23B of the Federal Reserve Act that limit the amount of transactions between itself and S&T or S&T s nonbank subsidiaries. Under these provisions, transactions between a bank and its parent company or any single nonbank affiliate generally are limited to 10 percent of the bank subsidiary s capital and surplus, and with respect to all transactions with affiliates, are limited to 20 percent of the bank subsidiary s capital and surplus. Further, loans and extensions of credit from a bank to an affiliate generally are required to be secured by eligible collateral in specified amounts. The Dodd-Frank Act expands the affiliate transaction rules to broaden the definition of affiliate and to apply to securities lending, repurchase agreement and derivatives activities that we may have with an affiliate, as well as to strengthen collateral requirements and limit Federal Reserve exemptive authority. Also, the definition of extension of credit for transactions with executive officers, directors and principal shareholders is being expanded to include credit exposure arising from a derivative transaction, a repurchase or reverse repurchase agreement and a securities lending or borrowing transaction. These expansions will be effective one year after the Designated Transfer Date, July 21, 2012. At this time, we do not anticipate that these provisions will have a material effect on S&T or S&T Bank.

Insurance of Accounts; Depositor Preference

The deposits of S&T Bank are insured up to applicable limits per insured depositor by the FDIC. The Dodd-Frank Act codified FDIC deposit insurance coverage per separately insured depositor for all account types at $250,000. The Dodd-Frank Act also maintains federal deposit insurance coverage for noninterest-bearing transaction accounts at an unlimited amount from December 31, 2010 until December 31, 2012. Interest on Lawyer Trust Accounts will be considered noninterest-bearing transaction accounts for purposes of temporary unlimited deposit insurance coverage.

As an FDIC-insured bank, S&T Bank is also subject to FDIC insurance assessments, which are imposed based upon the risk the institution poses to the Deposit Insurance Fund, or DIF. Under this assessment system, risk is defined and measured using an institution s supervisory ratings with other risk measures, including financial ratios. The annual total base assessment rates for institutions in 2011 ranged from 2.5 basis points for well-capitalized, well-managed banks, with the highest ratings, to 45 basis points for institutions posing the most risk to the DIF. The FDIC may raise or lower these assessment rates on a quarterly basis based on various factors to achieve a reserve ratio, which the Dodd-Frank Act has mandated to be no less than 1.35 percent of insured deposits.

Due to recent bank failures and contingent loss reserves established by the FDIC against potential future bank failures, the reserve ratio is currently significantly below its target balance. Thus, on November 12, 2009, the FDIC Board of Directors adopted a final rule that required insured depository institutions to prepay, on December 30, 2009, their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012, along with their quarterly risk-based assessment for the third quarter of 2009. The continued decline in the DIF balance may convince the FDIC to impose additional special emergency assessments in the future, which could have an impact on S&T Bank s earnings and capital levels. The prepayment for our quarterly assessments amounted to $21.1 million and will be recognized as expense over a three year period. As of December 31, 2011, $11.6 million remains prepaid for quarterly FDIC assessments.

Table of Contents

Item 1. BUSINESS continued

On October 19, 2010, the Board of Directors of the FDIC adopted a new Restoration Plan to ensure that the DIF reserve ratio reaches 1.35 percent by September 30, 2020, as required by the Federal Deposit Insurance Reform Act of 2005, or the Reform Act. Among other things, the Restoration Plan provided that the FDIC would forego the uniform three basis point increase in initial assessment rates that was previously scheduled to take effect on January 1, 2011 and would maintain the current assessment rate schedule for all insured depository institutions until the reserve ratio reaches 1.15 percent. In February 2011, the FDIC Board of Directors adopted a final rule, Deposit Insurance Assessment Base, Assessment Rate Adjustments, Dividends, Assessment Rates and Large Bank Pricing Methodology, to redefine the deposit insurance assessment base as required by the Dodd-Frank Act, alter assessment rates, implement the Dodd-Frank Act s DIF dividend provisions and revise the risk-based assessment system for all large insured depository institutions (those with at least $10.0 billion in total assets). Many of the changes were made as a result of provisions of the Dodd-Frank Act that were intended to shift more of the cost of raising the reserve ratio from institutions with less than $10.0 billion in assets (such as S&T Bank) to the larger banks. Except for the future assessment rate schedules, all changes went into effect April 1, 2011 and did not have a material effect upon our consolidated operating results. In addition to DIF assessments, the FDIC assesses all insured deposits a special assessment to fund the repayment of debt obligations of the Financing Corporation, or FICO. FICO is a government-sponsored entity that was formed to borrow the money necessary to carry out the closing and ultimate disposition of failed thrift institutions by the Resolution Trust Corporation in the 1990s. As of January 1, 2012, the annualized rate established by the FDIC for the FICO assessment was 0.66 basis points per $100 of insured deposits.

Under federal law, deposits and certain claims for administrative expenses and employee compensation against insured depository institutions are afforded a priority over other general unsecured claims against such an institution, including federal funds and letters of credit, in the liquidation or other resolution of such an institution by a receiver. Such priority creditors would include the FDIC.

Capital

The Federal Reserve Board and FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to banking organizations they supervise. Under current capital guidelines, both S&T and S&T Bank are required to maintain certain capital standards based on ratios of capital to assets and capital to risk weighted assets. The guidelines define a bank s total qualifying capital as having two components. Tier 1 capital, which must be at least 50 percent of total qualifying capital, is mainly comprised of common equity, retained earnings and qualifying preferred stock, less certain intangibles. Tier 2 capital may include the allowance for loan losses, or ALL, model loss up to a maximum of 1.25 percent of risk weighted assets, qualifying subordinated debt, qualifying preferred stock, hybrid capital instruments and up to 45 percent of net unrealized gains on available-for-sale equity securities. The guideline also defines the weights assigned to assets and off-balance sheet items to determine the risk weighted asset component of the risk-based capital ratios.

The Federal Reserve Board and FDIC have established minimum and well-capitalized standards for banks. The minimum capital standards are defined as a Tier 1 ratio of at least 4.00 percent, a Total capital ratio of at least 8.00 percent and a Leverage ratio of at least 3.00 percent. The Leverage ratio of 3.00 percent is for those bank and bank holding companies that meet certain specified criteria, including having received the highest regulatory rating and are not experiencing significant growth or expansion. All other banks and bank holding companies generally are required to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum. S&T and S&T Bank maintain capital levels to meet the well-capitalized regulatory standards, which are defined as a Tier 1 ratio of at least 6.00 percent, Total capital ratio of at least 10.00 percent and a Leverage ratio of at least 5.00 percent. At December 31, 2011 S&T s Tier 1 capital, Total capital and Leverage ratios were 11.63

Item 1. BUSINESS continued

percent, 15.20 percent and 9.17 percent, respectively. At December 31, 2011 S&T Bank s Tier 1, Total capital and Leverage ratios were 10.55 percent, 14.11 percent, and 8.30 percent, respectively.

Both the Federal Reserve Board and the FDIC s risk-based capital standards explicitly identify concentrations of credit risk and the risk arising from non-traditional activities, as well as an institution s ability to manage these risks, as important factors to be taken into account by the agency in assessing an institution s overall capital adequacy. The capital guidelines also provide that an institution s exposure to a decline in the economic value of its capital due to changes in interest rates be considered by the agency as a factor in evaluating a bank s capital adequacy. The Federal Reserve Board has also issued additional capital guidelines for certain bank holding companies that engage in trading activities. We do not believe that consideration of these additional factors will affect the regulators assessment of S&T or S&T Bank s capital position. The Dodd-Frank Act contains a number of provisions intended to strengthen capital, including requiring minimum leverage and risk-based capital that are at least as stringent as those currently in effect. The regulations implementing these rules were finalized by the FDIC in June, 2011. Most of the finalized rules pertain to those institutions with more than $50 billion in assets. Also, upon the Designated Transfer Date, the Dodd-Frank Act requires the Federal Reserve Board to implement capital regulations that are countercyclical so that the amount of capital required to be maintained by us would increase in times of economic expansion and decrease in times of economic contraction, consistent with the safety and soundness of the company. Comments on the Federal Reserve Board s proposal are due by March, 2012. In addition to the Dodd-Frank Act, the international oversight body of the Basel Committee on Banking Supervision, or Basel III, reached agreements in July, 2010 to increase the minimum common equity capital requirement for banks from 2.00 percent to 4.00 percent, along with a capital conservation buffer of 2.50 percent to bring total common equity capital requirements to 7.00 percent. The Basel III requirements will be phased in beginning January 1, 2013. Federal regulators periodically propose amendments to the risk-based capital guidelines and the related regulatory framework and consider changes to the capital standards that could significantly increase the amount of capital needed to meet applicable standards. The timing of adoption, ultimate form and effect of any such proposed amendments cannot be predicted.

Capital Purchase Program

On December 7, 2011, we redeemed all of the preferred stock that we sold to the federal government as part of the CPP. As a participant in the CPP, we completed the $108.7 million capital raise on January 16, 2009.

In connection with the issuance of the preferred stock to the U.S. Treasury in 2009, we also issued the U.S. Treasury a warrant to purchase 517,012 shares of our common stock at an initial per share exercise price of $31.53, with an estimated fair value of $4.0 million on the date of issuance. The warrant remains outstanding as of the date of the filing of this Annual Report on Form 10-K. The warrant provides for the adjustment of the exercise price and the number of shares of our common stock issuable upon exercise pursuant to customary anti-dilution provisions. The U.S. Treasury agreed not to exercise voting power with respect to any shares of common stock issued upon exercise of the warrant. We did not repurchase the warrant concurrently with the redemption of the preferred stock. Unless we repurchase the warrant, it will remain outstanding and will expire 10 years from the issuance date.

Under changes made to the CPP by the American Recovery and Reinvestment Act of 2009, we were able to redeem the Series A Preferred Stock, plus any accrued and unpaid dividends, at any time, subject to approval by banking regulatory agencies. The redemption of the preferred stock eliminates certain restrictions imposed on us by our participation in the CPP, including limitations on executive compensation and certain increases to our dividend payments. We used available cash to fund the repurchase of the preferred stock of $108.7 million and payment of the final dividend of $0.3 million.

Table of Contents

Item 1. BUSINESS continued

Payment of Dividends

S&T is a legal entity separate and distinct from its banking and other subsidiaries. A substantial portion of our revenues consist of dividend payments we receive from S&T Bank. S&T Bank, in turn, is subject to state laws and regulations that limit the amount of dividends it can pay to S&T. In addition, both S&T and S&T Bank are subject to various general regulatory policies relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The Federal Reserve Board has indicated that banking organizations should generally pay dividends only if (i) the organization s net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the organization s capital needs, asset quality and overall financial condition. Thus, under certain circumstances based upon our financial condition, our ability to declare and pay quarterly dividends may require consultation with the Federal Reserve Board and may be prohibited by applicable Federal Reserve Board regulations. If we were to pay a dividend in contravention of Federal Reserve regulations, the Federal Reserve could raise supervisory concerns. During the year ended December 31, 2011, S&T Bank paid $16.8 million in cash dividends to us for dividends paid to common shareholders.

Other Safety and Soundness Regulations

There are a number of obligations and restrictions imposed on bank holding companies such as us and our depository institution subsidiary by federal law and regulatory policy. These obligations and restrictions are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance fund in the event the depository institution becomes in danger of default or is in default. Under current federal law for example, the federal banking agencies possess broad powers to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institution in question is well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized, as defined by the law. Under regulations established by the federal banking agencies, a well-capitalized institution must have a Tier 1 capital ratio of at least 6.00 percent, a Total capital ratio of at least 10.00 percent and a leverage ratio of at least 5.00 percent and must not be subject to a capital directive or order. An adequately capitalized institution must have a Tier 1 capital ratio of at least 4.00 percent, a Total capital ratio of at least 8.00 percent and a leverage ratio of at least 4.00 percent. The most highly-rated financial institutions minimum requirement for the leverage ratio is 3.00 percent. As of December 31, 2011, S&T and S&T Bank were classified as well-capitalized. The classification of depository institutions is primarily for the purpose of applying the federal banking agencies prompt corrective action provisions and is not intended to be and should not be interpreted as a representation of overall financial condition or prospects of any financial institution.

The federal banking agencies prompt corrective action powers (which increase depending upon the degree to which an institution is undercapitalized) can include, among other things, requiring an insured depository institution to adopt a capital restoration plan which cannot be approved unless guaranteed by the institution s parent company; placing limits on asset growth and restrictions on activities, including restrictions on transactions with affiliates; restricting the interest rates the institution may pay on deposits; prohibiting the payment of principal or interest on subordinated debt; prohibiting the holding company from making capital distributions without prior regulatory approval; and, ultimately, appointing a receiver for the institution. For example, only a well-capitalized depository institution may accept brokered deposits without prior regulatory approval.

The federal banking agencies have also adopted guidelines prescribing safety and soundness standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. In general, the guidelines require appropriate systems and practices to identify and manage

Table of Contents

Item 1. BUSINESS continued

specified risks and exposures. The guidelines prohibit excessive compensation as an unsafe and unsound practice and characterize compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the agencies have adopted regulations that authorize, but do not require an agency to order an institution that has been given notice by an agency that it is not in compliance with any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the prompt corrective action provisions described above.

Regulatory Enforcement Authority

The enforcement powers available to federal banking agencies are substantial and include, among other things and in addition to, other powers described herein, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banks and bank holding companies and institution affiliated parties, as defined in the Federal Deposit Insurance Act, or FDIA. In general, these enforcement actions may be initiated for violations of laws and regulations, as well as engagement in unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

At the state level, the PADB also has broad enforcement powers over S&T Bank, including the power to impose fines and other civil and criminal penalties and to appoint a conservator or receiver.

Interstate Banking and Branching

The BHCA currently permits bank holding companies from any state to acquire banks and bank holding companies located in any other state, subject to certain conditions, including certain nationwide and state-imposed deposit concentration limits. In addition, because of changes to law made by the Dodd-Frank Act, S&T Bank may now establish de novo interstate branches in any state to the same extent that a bank chartered in that state could establish a branch.

Community Reinvestment and Consumer Protection Laws

In connection with its lending activities, S&T Bank is subject to a number of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. These include, among other laws, the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Fair Credit Reporting Act and the CRA. In addition, rules developed by the federal banking agencies pursuant to federal law require disclosure of privacy policies to consumers and in some circumstances, allow consumers to prevent the disclosure of certain personal information to nonaffiliated third parties.

The CRA requires the appropriate federal banking agency, in connection with its examination of a bank, to assess the bank s record in meeting the credit needs of the communities served by the bank, including low and moderate-income neighborhoods. Furthermore, such assessment also is required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of an insured depository institution, or to open or relocate a branch office. In the case of a bank holding company (including a financial holding company) applying for approval to acquire a bank or bank holding company, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant bank holding company in considering the application. Under the CRA, institutions are assigned a rating of outstanding, satisfactory, needs to improve or unsatisfactory. S&T Bank was rated satisfactory in its most recent CRA evaluation.

Table of Contents

Item 1. BUSINESS continued

Anti-Money Laundering Rules

S&T Bank is subject to the Bank Secrecy Act, its implementing regulations and other anti-money laundering laws and regulations, including the USA Patriot Act of 2001. Among other things, these laws and regulations require S&T Bank to take steps to prevent the use of S&T Bank to facilitate the flow of illegal or illicit money, to report large currency transactions and to file suspicious activity reports. S&T Bank is also required to develop and implement a comprehensive anti-money laundering compliance program. Banks must also have in place appropriate know your customer policies and procedures. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA Patriot Act of 2001 require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution s anti-money laundering activities when reviewing bank mergers and bank holding company acquisitions.

Government Actions and Legislation

The Dodd-Frank Act will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies, including S&T and S&T Bank. The Dodd-Frank Act contains a number of provisions intended to strengthen capital. Refer to Capital within Item 1 for additional information. For example, the federal banking agencies are directed to establish minimum leverage and risk-based capital that are at least as stringent as those currently in effect.

The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Act may not be known for many months or years. The Dodd-Frank Act also contains provisions that expand the insurance assessment base and increase the scope of deposit insurance coverage.

Among other provisions, the SEC has enacted rules, required by the Dodd-Frank Act, giving stockholders a non-binding vote on executive compensation and so-called golden parachute payments. The Dodd-Frank Act also authorizes the SEC to promulgate rules that would allow stockholders to nominate their own candidates for election as directors using a company s proxy materials. The legislation also directs the federal financial institution regulatory agencies to promulgate rules prohibiting excessive compensation being paid to financial institution executives.

The Dodd-Frank Act also created the Consumer Financial Protection Bureau, or CFPB that took over responsibility on July 21, 2011 of the principal federal consumer protection laws, such as the Truth in Lending Act, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act and the Truth in Saving Act, among others. Institutions that have assets of $10.0 billion or less, such as S&T, will continue to be supervised in this area by their state and primary federal regulators (in the case of S&T Bank, the FDIC). The Act also gives the CFPB expanded data collection powers for fair lending purposes for both small business and mortgage loans, as well as expanded authority to prevent unfair, deceptive and abusive practices. The consumer complaint function also will be consolidated into the CFPB. The CFPB established an Office for Community Banks and Credit Unions, with a mission to ensure that the CFPB incorporates the perspectives of small depository institutions into the policy-making process, communicate relevant policy initiatives to community banks and credit unions and work with community banks and credit unions to identify potential areas for regulatory simplification. In addition, the Dodd-Frank Act required the Federal Reserve Board to adopt a rule addressing interchange fees applicable to debit card transactions. This rule, Regulation II, effective October 1, 2011, does not apply to banks with less than $10.0 billion in assets. Since the rule has been in effect for only three months as of the date of this report, it is not yet known if the rule may have the practical effect of reducing fees that smaller banks (like S&T Bank) may charge.

Table of Contents

Item 1. BUSINESS continued

There have been delays in the rulemaking processes of the various federal agencies responsible for enacting the provisions of the Dodd-Frank Act. As of December 31, 2011, less than 22 percent of the rulemaking requirements have been finalized, with only another 38.8 percent proposed. Not all of the Dodd-Frank Act provisions remaining to be finalized apply to banks the size of S&T Bank and, as a result, we cannot predict the ultimate impact of the Act on S&T or S&T Bank at this time, including the extent to which it could increase costs or limit our ability to pursue business opportunities in an efficient manner, or otherwise adversely affect our business, financial condition and results of operations. Nor can we predict the impact or substance of other future legislation or regulation. However, it is expected that they, at a minimum, will increase our operating and compliance costs.

Federal and state regulatory agencies consistently propose and adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot predict the substance or impact of pending or future legislation or regulation, or the application thereof, although enactment of the proposed legislation could affect how S&T and S&T Bank operate and could significantly increase costs, impede the efficiency of internal business processes, or limit our ability to pursue business opportunities in an efficient manner, any of which could materially and adversely affect our business, financial condition and results of operations.

Competition

S&T Bank competes with other local, regional and national financial service providers, such as other financial holding companies, commercial banks, savings associations, credit unions, finance companies and brokerage and insurance firms. Some of our competitors are not subject to the same level of regulation and oversight that is required of banks and bank holding companies, and are thus able to operate under lower cost structures.

Changes in bank regulation, such as changes in the products and services banks can offer and involvement in non-banking activities by bank holding companies, as well as bank mergers and acquisitions, can affect our ability to compete successfully. Legislation and regulations have also expanded the activities in which depository institutions may engage. Our ability to compete successfully will depend upon how successfully we can respond to the evolving competitive, regulatory, technological and demographic developments affecting our operations.

We face significant competition in both originating loans and attracting deposits. The western Pennsylvania area has a high density of financial institutions, some of which are significantly larger institutions with greater financial resources than us, and many of which are our competitors to varying degrees. Our competition for loans comes principally from commercial banks, savings associations, mortgage banking companies, credit unions, brokerage and insurance companies and other financial service companies. Our most direct competition for deposits has historically come from commercial banks, savings banks and credit unions. We face additional competition for deposits from non-depository competitors such as the mutual fund industry, securities and brokerage firms and insurance companies. Because larger competitors have advantages in attracting business from larger corporations, we do not generally compete for that business. Instead, we concentrate our efforts on attracting the business of individuals and small and medium-size businesses. We generally compete on the basis of customer service and responsiveness to customer needs, the convenience of banking offices and hours, and the availability and pricing of our products and services. We emphasize personalized banking and the advantage of local decision-making in our banking business and this strategy appears to have been well received in our market area.

The financial service industry is likely to become more competitive as further technological advances enable more companies to provide financial services on a more efficient and convenient basis. Technological innovations have lowered traditional barriers of entry and enabled many of these companies to compete in financial services markets. Many customers now expect a choice of banking options for the delivery of services, including traditional banking offices, telephone, mail, internet,

Item 1. BUSINESS continued

mobile banking, ATMs, self-service branches, and/or in-store branches. These products are offered by traditional banks and savings associations, as well as credit unions, brokerage firms, asset management groups, finance and insurance companies, internet-based companies, and mortgage banking firms. We believe that our current market area, consisting primarily of western Pennsylvania, provides long-term opportunity for growth in deposits and commercial lending. Commercial and residential real estate values in our market appear to have stabilized. The national and local economies still remain fragile with high unemployment rates. Business conditions remain subdued and that uncertainty is serving to limit both consumer and corporate spending in our area.

Item 1A. RISK FACTORS

Investments in our common stock involve risk. The following discussion highlights the risks that we believe are material to our company, but does not necessarily include all risks that we may face.

The market price of our common stock may fluctuate significantly in response to a number of factors.

Our quarterly and annual operating results have varied significantly in the past and could vary significantly in the future, which makes it difficult for us to predict our future operating results. Our operating results may fluctuate due to a variety of factors, many of which are outside of our control, including the changing and recently volatile U.S. economic environment and changes in the commercial and residential real estate market, any of which may cause our stock price to fluctuate. If our operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- volatility of stock market prices and volumes in general;
- changes in market valuations of similar companies;
- changes in conditions in credit markets;
- changes in accounting policies or procedures as required by the Financial Accounting Standards Board, or FASB, or other regulatory agencies;
- legislative and regulatory actions (including the impact of the Dodd-Frank Act and related regulations) subject us to additional regulatory oversight which may result in increased compliance costs and/or require us to change our business model;
- government intervention in the U.S. financial system and the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;
- additions or departures of key members of management;
- fluctuations in our quarterly or annual operating results; and
- changes in analysts estimates of our financial performance.

Risks Related to Credit

Our ability to assess the credit worthiness of our customers may diminish, which may adversely affect our results of operations.

We take credit risk by virtue of making loans and extending loan commitments and letters of credit. Our exposure to credit risk is managed through the use of consistent underwriting standards that emphasize in-market lending while avoiding highly leveraged transactions as well as excessive industry and other concentrations. Our credit administration function employs risk management techniques to ensure that loans adhere to corporate policy and problem loans are promptly identified. There can be no assurance that such measures will be effective in avoiding undue credit risk. If the models and approaches we use to select, manage and underwrite our consumer and commercial

Table of Contents

Item 1A. RISK FACTORS continued

customers become less predictive of future charge-offs (due, for example, to rapid changes in the economy, including the unemployment rate), our credit losses may increase.

The value of the collateral used to secure our loans may not be sufficient to compensate for the amount of an unpaid loan and we may be unsuccessful in recovering the remaining balance from our customers.

Decreases in real estate values, particularly with respect to our commercial lending and mortgage activities, could adversely affect the value of property used as collateral for our loans and our customers ability to repay these loans, which in turn could impact our profitability. Repayment of our commercial loans is often dependent on the cash flow of the borrower, which may become unpredictable in the current economy. If the value of the assets, such as real estate, serving as collateral for the loan portfolio were to decline materially, a significant part of the loan portfolio could become under-collateralized. If the loans that are secured by real estate become troubled when real estate market conditions are declining or have declined, in the event of foreclosure, we may not be able to realize the amount of collateral that was anticipated at the time of originating the loan. This could result in higher charges which could have a material adverse effect on our operating results and financial condition.

Changes in the overall credit quality of our portfolio can have a significant impact on our earnings.

Like other lenders, we face the risk that our customers will not repay their loans. We reserve for losses in our loan portfolio based on our assessment of inherent credit losses. This process, which is critical to our financial results and condition, requires complex judgments, including our assessment of economic conditions, which are difficult to predict. Through a periodic review of the loan portfolio, management determines the amount of the ALL by considering historical losses combined with qualitative factors including general and regional economic conditions, asset quality trends, loan policy and underwriting and changes in loan concentrations and collateral values. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control. We may underestimate our inherent losses and fail to hold an ALL sufficient to account for these losses. Incorrect assumptions could lead to material underestimates of inherent losses and inadequate ALL. As our assessment of inherent losses changes, we may need to increase or decrease our ALL, which could adversely impact our financial results and profitability.

Our loan portfolio is concentrated in western Pennsylvania, and our lack of geographic diversification increases our risk profile.

The regional economic conditions in western Pennsylvania affects the demand for our products and services as well as the ability of our customers to repay their loans and the value of the collateral securing these loans. We are less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. A significant decline in the regional economy caused by inflation, recession, unemployment or other factors could adversely affect our customers, the quality of our loan portfolio and the demand for our products and services. Any sustained period of increased payment delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition. Moreover, we cannot give any assurance we will benefit from any market growth or favorable economic conditions in our primary market area.

Table of Contents

Item 1A. RISK FACTORS continued

A significant portion of our loan portfolio includes commercial real estate loans that have higher risks, and we may experience higher credit losses.

The majority of our loans are to commercial borrowers. The commercial real estate segment of our loan portfolio has been more adversely impacted by the continuing economic downturn. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans generally are dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Because payments on loans secured by commercial real estate often depend upon the successful operating and management of the properties, repayment of these loans may be affected by factors outside the borrower s control, including adverse conditions in the real estate market or the economy. Additionally, we have a number of significant loans to commercial borrowers, and while the majority of these borrowers have numerous projects that make up the total aggregate exposure, if one or more of these borrowers defaults or has financial difficulties, we could experience higher credit losses, which could adversely impact our results of operations.

Risks Related to Interest Rates and Investments

Our net interest income could be negatively affected by interest rate changes or by significant loan prepayments, which may adversely affect our financial condition.

Our results of operations are largely dependent on net interest income, which is the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. We may have mismatches between the maturity and repricing of our assets and liabilities that could cause the net interest rate spread to compress, depending on the level and type of changes in the interest rate environment. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and the policies of various governmental agencies. In addition, our customers often have the ability to prepay loans or redeem deposits with either no penalties, or penalties that are insufficient to compensate us for the lost income. If customers continue to prepay loans at a higher rate, we may not be able to recover the lost revenues, which may affect our results of operations. A significant reduction in our net interest income will adversely affect our business and results of operations. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially harmed.

Declines in the value of investment securities held by us could require write-downs, which would reduce our earnings.

In order to diversify earnings and enhance liquidity, we own both debt and equity instruments of government agencies, municipalities and other companies. We may be required to record impairment charges on our investment securities if they suffer a decline in value that is considered other-than-temporary. Additionally, the value of these investments may fluctuate depending on the interest rate environment, general economic conditions and circumstances specific to the issuer. Volatile market conditions may detrimentally affect the value of these securities, such as through reduced valuations due to the perception of heightened credit or liquidity risks. Changes in the value of these instruments may result in a reduction to earnings and/or capital, which may adversely affect our results of operations.

PAGE 15

Table of Contents

Item 1A. RISK FACTORS continued

The crisis in both the United States and international banking markets has adversely affected our industry, including our business, and may continue to have an adverse effect on our business and reputation in the future.

This economic turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and the lack of confidence in the financial markets have adversely affected our business, financial condition and results of operations. Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provision for credit losses. A worsening of these conditions may increase the adverse effects of these difficult market conditions on us, and may harm the reputation of banks in general and our reputation with our customers and investors.

Risks Related to Liquidity

We rely on a stable core deposit base and high quality unpledged liquid assets as our primary sources of liquidity.

We are dependent for our funding on a stable base of core deposits and high quality unpledged assets including cash held on deposit at the Federal Reserve. Our ability to maintain a stable core deposit base is a function of our financial performance, our reputation and the security provided by FDIC insurance, which combined, gives customers confidence in us. If any of these items are damaged or come into question, the stability of our core deposits could be harmed. If these investments lose value or can not be sold in an orderly fashion, it could harm our ability to meet our obligations.

Our ability to meet contingency funding needs, in the event of a crisis that causes a disruption to our core deposit base, is dependent on access to wholesale markets, including funds provided by the FHLB of Pittsburgh.

We own common stock of the FHLB in order to qualify for membership in the FHLB system, which enables us to borrow funds under the FHLB advance program. Changes or disruptions to the FHLB or the FHLB system in general may materially impair our ability to meet short and long-term liquidity needs or meet growth plans. In the event of a system-wide shock or a deterioration in our financial condition, the stability of our core deposit base could deteriorate, our access to funding from the FHLB could be restricted, or both. Without access to adequate funding we will have difficulty operating day to day, which could ultimately impact our ability to continue operations.

If our FHLB line of credit is restricted, our ability to meet our obligations to our customers could be materially affected.

We have a line of credit with the FHLB that is secured by a blanket lien on our loan portfolio. Access to this line of credit is critical if a funding need arises. However, we cannot be assured that the FHLB will be able to provide funding to us when needed, nor can we be certain that the FHLB will provide funds specifically to us, should our financial condition and/or our regulators prevent that access. The inability to access these sources of funds could have a materially adverse effect on our ability to meet our customer s needs. Our financial flexibility could be severely constrained if we were unable to maintain our access to funding or if adequate financing is not available at acceptable interest rates. The failure of the FHLB or the FHLB system in general, may materially impair our ability to meet short and long term liquidity needs or to meet growth plans.

Item 1A. RISK FACTORS continued

Risks Related to Our Operations

An interruption or breach in security of our information systems may result in financial losses or in a loss of customers.

We depend upon data processing, communication and information exchange on a variety of computing platforms and networks, including the internet. We cannot be certain that all of our systems are entirely free from vulnerability to attack, despite safeguards we have instituted. The occurrence of any failures, interruptions or security breaches of our information systems could result in a material adverse impact to our business, financial condition and results of operations through damage to our reputation, loss of customer business, additional regulatory scrutiny or exposure to civil litigation and possible financial liability. Losses arising from such a breach could materially exceed the amount of insurance coverage we have, which could adversely affect our results of operation.

We rely on third-party providers and other suppliers for a number of services that are important to our business. An interruption or cessation of an important service by any third party could have a material adverse effect on our business.

We are dependent for the majority of our technology, including our core operating system, on third party providers. If these companies were to discontinue providing services to us, we may experience significant disruption to our business. If any of our third party service providers experience financial, operational or technological difficulties, or if there is any other disruption in our relationships with them, we may be required to locate alternative sources of such services. Assurance cannot be provided that we could negotiate terms with alternative service sources that are as favorable or could obtain services with similar functionality as found in existing systems without the need to expend substantial resources, if at all, thereby resulting in a material adverse impact on our business and results of operations.

Risks Related to Regulatory Compliance and Legal Matters

Recent legislation enacted in response to market and economic conditions may significantly affect our operations, financial condition and earnings.

Disruptions in the financial system during the past three years have resulted in significantly reduced business activity throughout the global and U.S. economies, which have the potential to significantly affect financial institutions. The Dodd-Frank Act was enacted as a major reformatory response to this financial crisis. The Dodd-Frank Act increases regulation and oversight of the financial services industry, and imposes restrictions on the ability of institutions within the industry to conduct business consistent with historical practices, including aspects such as capital requirements, affiliate transactions, compensation, consumer protection regulations and mortgage regulation, among others. It is not clear what impact the Dodd-Frank Act and the numerous implementing regulations will have on the financial markets or on the U.S. banking and financial services industries and the broader U.S. and global economies. They may increase our costs of regulatory compliance and of doing business and otherwise affect our operations, and will likely result in additional costs and a diversion of management s time from other business activities, any of which may adversely impact our results of operations, liquidity or financial condition. They also may significantly affect the markets in which we do business, the markets for and value of our investments and our ongoing operations, costs and profitability.

Table of Contents

Item 1A. RISK FACTORS continued

Our deposit insurance premiums have decreased but may increase in the future, which could have a material adverse impact on our future earnings and financial condition.

The FDIC insures deposits at FDIC-insured financial institutions, including S&T Bank. The FDIC charges insured financial institutions premiums to maintain the DIF at a specific level. The Bank s FDIC insurance premiums recently decreased after substantial increases beginning in 2009, but we may pay significantly higher premiums in the future. Current economic conditions have increased bank failures and additional failures are expected, all of which decrease the DIF. The Dodd-Frank Act increased the minimum target DIF ratio from 1.15 percent of estimated insured deposits to 1.35 percent of estimated insured deposits. The FDIC must seek to achieve the 1.35 percent ratio by September 30, 2020. Insured institutions with assets of $10 billion or more are supposed to fund the increase. The FDIC has issued regulations to implement these provisions of the Dodd-Frank Act. It has, in addition, established a higher reserve ratio of 2 percent as a long-term goal beyond what is required by statute. There is no implementation deadline for the 2 percent ratio. The FDIC may increase the assessment rates or impose additional special assessments in the future to keep the DIF at the statutory target level. Any increase in our FDIC premiums could have an adverse effect on the Bank s profits and financial condition. Refer to Supervision and Regulation within Item 1 of this Report for additional information.

Future governmental regulation and legislation could limit our growth.

We are subject to extensive state and federal regulation, supervision and legislation that govern nearly every aspect of our operations. The regulations are primarily intended to protect depositors, customers and the banking system as a whole, not shareholders. Failure to comply with applicable regulations could lead to penalties and damage to our reputation. Furthermore, as shown through the Dodd-Frank Act, the regulatory environment is constantly undergoing change and the impact of changes to laws, the rapid implementation of regulations, the interpretation of such laws or regulations or other actions by existing or new regulatory agencies could make regulatory compliance more difficult or expensive, and thus could affect our ability to deliver or expand services, or it could diminish the value of our business. The ramifications and uncertainties of the recent increase in government intervention in the U.S. financial system could also adversely affect us. Refer to Supervision and Regulation within Item 1 of this report for additional information.

Negative public opinion could damage our reputation and adversely impact our earnings and liquidity.

Reputational risk, or the risk to our business, earnings, liquidity and capital from negative public opinion, could result from our actual or alleged conduct in a variety of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, ethical issues or inadequate protection of customer information. We expend significant resources to comply with regulatory requirements, and the failure to comply with such regulations could result in reputational harm or significant legal or remedial costs. Damage to our reputation could adversely affect our ability to retain and attract new customers and adversely impact our earnings and liquidity

We may be a defendant from time to time in a variety of litigation and other actions, which could have a material adverse effect on our financial condition and results of operations.

From time to time, customers and others make claims and take legal action pertaining to the performance of our responsibilities. Additionally, the current economic downturn has resulted in higher customer defaults and a resultant increase in litigation. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, or if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant expenses,

Item 1A. RISK FACTORS continued

attention from management and financial liability. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Risks Related to Our Business Strategy

Our strategy includes growth plans through organic growth and acquisitions. Our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to continue pursuing a growth strategy, which may include organic growth, expansion or acquisitions. We cannot assure you that we will be able to expand our market presence in our existing markets or successfully enter new markets or that any such expansion will not adversely affect our results of operations. Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our business strategy. Our organic growth strategy includes an internal reorganization of our business structure to a market-based approach from a product-based approach. There is no assurance that this internal reorganization will be successful, and if not executed as planned, it may adversely affect our results of operations.

Our failure to find suitable acquisition candidates, or successfully bid against other competitors for acquisitions, could adversely affect our ability to successfully implement our business strategy. If we are successful in acquiring other entities, the process of integrating such entities will divert significant management time and resources. We may not be able to integrate successfully or operate profitably any financial institutions we may acquire. We may experience disruption and incur unexpected expenses in integrating acquisitions. These failures could adversely impact our future prospects and results of operation.

We are subject to competition from both banks and non-banking companies.

The financial services industry is highly competitive, and we encounter strong competition for deposits, loans and other financial services in our market area. Our principal competitors include commercial banks of all types, finance companies, credit unions, mortgage brokers, insurance agencies, trust companies and various sellers of investments and investment advice. Many of our non-bank competitors are not subject to the same degree of regulation as we are and have advantages over us in providing certain services. Additionally, many of our competitors are significantly larger than we are and have greater access to capital and other resources. Failure to compete effectively for deposit, loan and other banking customers in our markets could cause us to lose market share, slow our growth rate and may have an adverse effect on our financial condition and results of operations.

We may be required to raise capital in the future, but that capital may not be available or may not be on acceptable terms when it is needed.

We are required by federal regulatory authorities to maintain adequate capital levels to support operations. Our ability to raise additional capital is dependent on capital market conditions at that time and on our financial performance and outlook. Pending regulatory changes, such as the Dodd-Frank Act, may require us to have more capital than was previously required. If we cannot raise additional capital when needed, we may not be able to meet these requirements, and our ability to further expand our operations through organic growth or through acquisitions may be adversely affected.

Table of Contents

Item 1A. RISK FACTORS continued

The Warrant we issued to the U.S. Treasury may be dilutive to holders of our common stock.

The ownership interest of the existing holders of our common stock may be diluted to the extent the warrant we issued to the U.S. Treasury in connection with the sale to the U.S. Treasury of the Series A Preferred Stock is exercised. Although we redeemed all of the outstanding preferred stock previously issued to the U.S. Treasury, we did not repurchase the outstanding warrant and it will remain outstanding until 2019 or until we repurchase it. The shares of common stock underlying the warrant represent approximately 1.80 percent of the shares of our common stock outstanding as of January 31, 2012 (including the shares issuable upon exercise of the warrant in total shares outstanding). Although the U.S. Treasury has agreed not to vote any of the shares of common stock it receives upon exercise of the warrant, a transferee of any portion of the warrant or of any shares of common stock acquired upon exercise of the warrant is not bound by this restriction.

Our ability to pay dividends on our common stock may be limited.

Holders of our common stock will be entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and our Board of Directors could reduce, suspend or eliminate our dividend at any time. Any decrease or elimination to the dividends on our common stock could adversely affect the market price of our common stock.

We may fail to realize all of the anticipated benefits of the acquisition of Mainline Bancorp, Inc.

The success of the merger with Mainline will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of S&T and Mainline. However, to realize these anticipated benefits and cost savings, we must successfully combine our business and the businesses of Mainline. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all, or may take longer to realize than expected.

Item 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved SEC staff comments.

Item 2. PROPERTIES

We own a four-story building in Indiana, Pennsylvania, located at 800 Philadelphia Street, which serves as our headquarters, executive and administrative offices. Our Community Banking, Wealth Management and the executive office of the Insurance segment are also located at our headquarters. Additionally, we lease a building in Indiana, Pennsylvania that serves as our data processing and technology center and own a two-story building directly behind it that serves as additional administrative offices.

Community Banking has 49 branches located in nine counties in Pennsylvania, of which 32 are owned and 17 are leased. Community Banking also leases one office to Insurance. Wealth Management leases one office, located in Allegheny County, Pennsylvania. Wealth Management also has several staff located within the Community Banking offices to provide their services to retail customers. Insurance leases three offices located in three counties in Pennsylvania. Insurance also has three staff located within the Community Banking offices in Jefferson and Blair counties. The operating and capital leases for Community Banking, Wealth Management and Insurance expire at various dates through the year 2054 and generally include options to renew. For additional information regarding the lease commitments, refer to Note 9 Premises and Equipment in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Table of Contents

Item 3. LEGAL PROCEEDINGS

The nature of our business generates a certain amount of litigation involving matters arising in the ordinary course of business. However, in management s opinion, there are no proceedings pending to which we are a party or to which our property is subject, which, if determined adversely to us, would be material in relation to our shareholders equity or financial condition. In addition, no material proceedings are pending nor are known to be threatened or contemplated against us by governmental authorities or other parties.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Prices and Dividend Information

Our common stock is listed on the NASDAQ Global Select Market System or NASDAQ under the symbol STBA. The range of sale prices for the years 2011 and 2010 is set forth in the table below and is based upon information obtained from NASDAQ. As of the close of business on January 31, 2012, we had 2,990 shareholders of record. Dividends paid by S&T are primarily provided from S&T Bank s dividends to S&T. The payment of dividends by S&T Bank to S&T is subject to the restrictions described in Item 8, Note 5, Dividend and Loan Restrictions of this Report. The cash dividends declared per share are shown below.

	Price Range of Common Stock		Cash Dividends
2011	**Low**	**High**	**Declared**
Fourth quarter	$ 15.21	$ 20.67	$ 0.15
Third quarter	15.21	19.46	0.15
Second quarter	16.65	22.23	0.15
First quarter	20.90	23.86	0.15
2010			
Fourth quarter	$ 17.00	$ 23.91	$ 0.15
Third quarter	16.64	22.29	0.15
Second quarter	19.52	25.84	0.15
First quarter	15.75	22.22	0.15

Table of Contents

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES continued

Five-Year Cumulative Total Return

The following chart compares the cumulative total shareholder return on our common stock with the cumulative total shareholder return of the NASDAQ Composite Index and NASDAQ Bank Index[(1)] assuming a $100 investment in each on December 31, 2006.

	Period Ending					
Index	**12/31/06**	**12/31/07**	**12/31/08**	**12/31/09**	**12/31/10**	**12/31/11**
S&T Bancorp, Inc.	$ 100.00	$ 82.81	$ 110.45	$ 54.95	$ 75.15	$ 67.03
NASDAQ Composite	100.00	110.66	66.42	96.54	114.06	113.16
NASDAQ Bank	100.00	80.09	62.84	52.60	60.04	53.74

(1) The NASDAQ Bank Index contains securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as Banks. These companies include banks providing a broad range of financial services, including retail banking, loans and money transmissions.

Table of Contents

Item 6. SELECTED FINANCIAL DATA

The tables below summarize selected consolidated financial data as of the dates or for the periods indicated and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and the Consolidated Financial Statements and Notes in Item 8 of this Report.

CONSOLIDATED BALANCE SHEETS

December 31 *(in thousands)*	**2011**	**2010**	**2009**	**2008**	**2007**
Total assets	$ 4,119,994	$ 4,114,339	$ 4,170,475	$ 4,438,368	$ 3,407,621
Securities available-for-sale	357,596	288,025	354,860	452,713	358,822
Goodwill	165,273	165,273	165,167	163,546	50,087
Net loans	3,083,768	3,312,540	3,344,827	3,526,027	2,762,594
Total deposits	3,335,859	3,317,524	3,304,541	3,228,416	2,621,825
Securities sold under repurchase agreements and federal funds purchased	30,370	40,653	44,935	113,419	100,258
Short-term borrowings	75,000		51,300	308,475	80,000
Long-term borrowings	31,874	29,365	85,894	180,331	201,021
Junior subordinated debt securities	90,619	90,619	90,619	90,619	25,000
Preferred stock, series A		106,137	105,370		
Total shareholders equity	490,526	578,665	553,318	448,694	337,560

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 *(in thousands, except per share data)*	**2011**	**2010**	**2009**	**2008**	**2007**
Interest income	$ 165,079	$ 180,419	$ 195,087	$ 216,118	$ 215,605
Interest expense	27,733	34,573	49,105	72,171	99,167
Provision for loan losses	15,609	29,511	72,354	12,878	5,812
Net Interest Income After Provision for Loan Losses	**121,737**	**116,335**	**73,628**	**131,069**	**110,626**
Noninterest income	44,057	47,210	38,580	37,452	40,605
Noninterest expense	103,908	105,633	108,126	83,801	73,460
Income Before Taxes	**61,886**	**57,912**	**4,082**	**84,720**	**77,771**
Provision (benefit) for income taxes	14,622	14,432	(3,869)	24,517	21,627
Net Income	**47,264**	**43,480**	**7,951**	**60,203**	**56,144**
Preferred stock dividends and discount amortization	7,611	6,201	5,913		
Net Income Available to Common Shareholders	**$ 39,653**	**$ 37,279**	**$ 2,038**	**$ 60,203**	**$ 56,144**
Per Share Data					
Earnings per common share basic	$ 1.41	$ 1.34	$ 0.07	$ 2.30	$ 2.27
Earnings per common share diluted	1.41	1.34	0.07	2.28	2.26
Dividends declared per common share	0.60	0.60	0.61	1.24	1.21
Common book value	17.44	16.91	16.14	16.24	13.75

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section reviews our financial condition and results of operations for each of the past three years. Certain reclassifications have been made to prior periods to place them on a basis comparable with the current period presentation. Some tables may include additional time periods to illustrate trends within our financial statements. The results of operations reported in the accompanying Consolidated Financial Statements are not necessarily indicative of results to be expected in future periods.

Important Note Regarding Forward-Looking Statements

This Report on Form 10-K contains or incorporates statements that we believe are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements generally relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, forecast, projected, intends to or other similar words. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including but not limited to, those identified under Risk Factors in Item 1A of this Report, the documents incorporated by reference or other important factors disclosed in this report and from time to time in our other filings with the Securities and Exchange Commission, or SEC. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information actually known to us at that time. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Future Factors include:

- changes in interest rates, spreads on interest-earning assets and interest-bearing liabilities, the shape of the yield curve and interest rate sensitivity;
- a prolonged period of low interest rates;
- credit losses;
- access to capital in the amounts, at the times and on the terms required to support our future businesses;
- legislation affecting the financial services industry as a whole, and/or S&T Bancorp, Inc., or S&T, in particular, including the effects of the Dodd-Frank Act;
- regulatory supervision and oversight, including required capital levels, and public policy changes, including environmental regulations;
- increasing price and product/service competition, including new entrants;
- rapid technological developments and changes;
- the ability to continue to introduce competitive new products and services on a timely, cost-effective basis;
- continued deterioration of the housing market and reduced demand for mortgages;
- containing costs and expenses;
- reliance on large customers;
- the outcome of pending and future litigation and governmental proceedings;
- managing our internal growth and acquisitions;

the possibility that the anticipated benefits from our proposed acquisition of Mainline cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or costly than anticipated;

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

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

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

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the Consolidated Financial Statements; accordingly, as this information changes, the Consolidated Financial Statements could reflect different estimates, assumptions and judgments. Certain policies inherently are based to a greater extent on estimates, assumptions and judgments of management and, as such, have a greater possibility of producing results that could be materially different than originally reported.

Our most significant accounting policies are presented in Note 1 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements, which are included in Item 8 of this Report. These policies, along with the disclosures presented in the Notes to Consolidated Financial Statements, provide information on how significant assets and liabilities are valued in the Consolidated Financial Statements and how those values are determined.

We view critical accounting policies to be those which are highly dependent on subjective or complex estimates, assumptions and judgments and where changes in those estimates and assumptions could have a significant impact on the Consolidated Financial Statements. We currently view the determination of the allowance for loan losses, or ALL, income taxes, securities valuation and goodwill and other intangible assets to be critical accounting policies.

Allowance for Loan Losses

Our loan portfolio is our largest category of assets on our Consolidated Balance Sheets. Accordingly, we have designed a systematic ALL methodology which is used to determine our provision for loan losses and ALL on a quarterly basis. The ALL represents management s estimate of probable losses inherent in the loan portfolio at the balance sheet date and is presented as a reserve against loans in the Consolidated Balance Sheets. The ALL is increased by a provision charged to expense and reduced by charge-offs, net of recoveries. Determination of an adequate ALL is inherently subjective, as it requires estimations of the occurrence of future events, as well as the timing of such events. The ALL may be subject to significant changes from period to period.

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

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

We individually evaluate all substandard and nonaccrual commercial loans greater than $0.5 million for impairment. A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. For all troubled debt restructurings, or 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. Specific reserves are established based upon the following three impairment methods: 1) the present value of expected future cash flows discounted at the loan s effective interest rate, 2) the loan s observable market price or 3) the estimated fair value of the collateral if the loan is collateral dependent. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific impaired loans, including estimating the amount and timing of future cash flows, current estimated fair value of the loan and collateral values. Our impairment evaluations consist primarily of the fair value of collateral method since most loans are collateral dependents.

The ALL methodology for groups of homogeneous loans, known as the general reserve, is comprised of both a quantitative and qualitative analysis. We first apply historical loss rates to pools of loans with similar risk characteristics. The historical loss rates are calculated by historical charge-offs that have occurred within each pool of loans over the loss emergence period. We estimate the loss emergence period to be two years for commercial real estate loans and one year for all other loan portfolio segments. After consideration of the loss calculations, management applies additional qualitative adjustments so that the ALL is reflective of the inherent losses that exist in the loan portfolio at the balance sheet date. Qualitative adjustments are made based upon changes in economic conditions, loan portfolio and asset quality data and credit process changes, such as credit policies or underwriting standards. The evaluation of the various components of the ALL requires considerable judgment in order to estimate inherent loss exposures.

We enhanced our ALL model in the fourth quarter of 2010 to better align it with the regulatory guidance. The calculation of the base historical loss utilizing an average method over the prior five years was shortened to include a one to two year loss emergence period depending on the loan category over a rolling four quarter average. Loss emergence refers to the length of time between a loss event and a charge-off of the loan. With the volatility in the credit cycle at that time, the shorter time horizon was more responsive to the loss emergence periods we were experiencing in our portfolio. We believe this shorter time horizon provides a better indication of inherent losses in the loan portfolio given the recent economic downturn. We also refined the qualitative factors beginning in the fourth quarter of 2010 to better align with the regulatory guidance. Qualitative factors became a basis point adjustment applied to the historical base loss. The combination of the enhancements to the average method and the qualitative factors did not materially change the ALL at December 31, 2010, resulting in an increase in the ALL of less than $0.5 million. Since December 31, 2010, there have been no further enhancements to the ALL methodology.

At December 31, 2011, approximately 92 percent of the ALL related to the commercial loan portfolio. Commercial loans represent 73 percent of total portfolio loans. Commercial loans have been more impacted by the economic slowdown in our markets. The ability of customers to repay commercial loans is more dependent upon the success of their business, continuing income and general economic conditions. Accordingly, the risk of loss is higher on such loans compared to consumer loans, which have incurred lower losses in our market.

There are many factors affecting the ALL; some are quantitative, while others require qualitative judgment. Although we believe our process for determining the ALL adequately considers all of the factors that would likely result in credit losses, the process includes subjective elements and may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provisions for loan losses could be required and could adversely affect our earnings or financial position in future periods.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

Income Taxes

We estimate income tax expense based on amounts expected to be owed to the tax jurisdictions where we conduct business. The laws are complex and subject to different interpretations by the taxpayer and various taxing authorities. On a quarterly basis, we assess the reasonableness of our effective tax rate based upon our current estimate of the amount and components of net income, tax credits and the applicable statutory tax rates expected for the full year.

Deferred income tax assets and liabilities are determined using the asset and liability method and are reported in other assets or other liabilities, as appropriate, in the Consolidated Balance Sheets. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities and recognizes enacted changes in tax rate and laws. When deferred tax assets are recognized, they are subject to a valuation allowance based on Management s judgment as to whether realization is more likely than not.

Accrued taxes represent the net estimated amount due to taxing jurisdictions and are reported in other assets or other liabilities, as appropriate, in the Consolidated Balance Sheets. We evaluate and assess the relative risks and appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other information and maintain tax accruals consistent with the evaluation of these relative risks and merits. Changes to the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by taxing authorities and changes to statutory, judicial and regulatory guidance. These changes, when they occur, can affect deferred taxes and accrued taxes, as well as the current period s income tax expense and can be significant to our operating results.

Tax positions are recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

Securities Valuation

We determine the appropriate classification of securities at the time of purchase. All securities, including both debt and equity securities, are classified as available-for-sale. These securities are carried at fair value with net unrealized gains and losses deemed to be temporary reported separately as a component of other comprehensive income, net of tax. Realized gains and losses on the sale of available-for-sale securities and other-than-temporary impairment, or OTTI, charges are recorded within noninterest income in the Consolidated Statements of Income. Realized gains and losses on the sale of securities are determined using the specific-identification method.

We perform a quarterly review of our securities to identify those that may indicate an OTTI. Our policy for OTTI within the marketable equity securities portfolio generally requires an impairment charge when the security is in a loss position for 12 consecutive months, unless facts and circumstances would suggest the need for an OTTI prior to that time. Our policy for OTTI within the debt securities portfolio is based upon a number of factors, including but not limited to, the length of time and extent to which the estimated fair value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of the security s ability to recover any decline in its estimated fair value and whether we intend to sell the investment security or if it is more likely than not that we will be required to sell the security prior to the security s recovery. If the financial markets experience deterioration, charges to income could occur in future periods.

PAGE 28

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

Goodwill and Other Intangible Assets

As a result of acquisitions, we have recorded goodwill and identifiable intangible assets on our balance sheet. Goodwill represents the excess of the purchase price over the fair value of net assets purchased.

Goodwill relates to value inherent in the Community Banking and Insurance reporting units and the value is dependent upon our ability to provide quality, cost-effective services in the face of competition from other market participants. This ability relies upon continuing investments in processing systems, the development of value-added service features and the ease of use of our services. As such, goodwill value is supported ultimately by revenue that is driven by the volume of business transacted. A decline in earnings as a result of a lack of growth or the inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill, which could adversely impact earnings in future periods.

We have three reporting units including: Community Banking, Wealth Management and Insurance. The carrying value of goodwill is tested annually for impairment each October 1 or more frequently if indicators of impairment are present. The evaluation for impairment involves comparing the current estimated fair value of each reporting unit to its carrying value, including goodwill. If the current estimated fair value of a reporting unit exceeds its carrying value, no additional testing is required and impairment loss is not recorded. If the estimated fair value of a reporting unit is less than the carrying value, further valuation procedures are performed and could result in impairment of goodwill being recorded. Further valuation procedures would include allocating the estimated fair value to all assets and liabilities of the reporting unit to determine an implied goodwill value. If the implied value of goodwill of a reporting unit is less than the carrying amount of that goodwill, an impairment loss is recognized in an amount equal to that excess. We completed the annual goodwill impairment assessment as required in 2011, 2010 and 2009; the results indicated that the fair value of each reporting unit exceeded their carrying value.

During the third quarter of 2011, our stock traded below common book value for an extended period of time. As a result, we engaged a third party to provide current market data for recent bank merger and acquisition transactions. The market data included transactions from January 2010 to August 2011 and indicated that transactions were occurring in excess of common book value of 70.3 percent (median). This data supported our conclusion that the fair value exceeds the carrying value and no further valuation procedures were completed. At December 31, 2011, our stock was trading in excess of 10 percent above common book value.

We determine the amount of identifiable intangible assets based upon independent core deposit and insurance contract analyses at the time of acquisition. Intangible assets with finite useful lives, consisting primarily of core deposit and customer list intangibles, are amortized using straight-line or accelerated methods over their estimated weighted average useful lives, ranging from 10 to 16 years. Intangible assets with finite useful lives are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. No events or changes in circumstances occurred during the years ended December 31, 2011, 2010 and 2009.

The financial services industry and securities markets continue to be adversely affected by declining values of nearly all asset classes. If current economic conditions continue to result in a prolonged period of economic weakness, our business segments, including the Community Banking segment, may be adversely affected. This may result in impairment of goodwill and other intangible assets in the future. Any resulting impairment loss could have a material adverse impact on our financial condition and its results of operations.

In the event that we determine that either our goodwill or finite lived intangible assets are impaired, recognition of an impairment charge could have a significant adverse impact on our financial position or results of operations in the period in which the impairment occurred.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

Recent Accounting Pronouncements and Developments

Note 1 Summary of Significant Accounting Policies, Recently Adopted Accounting Standards Updates and Recently Issued Accounting Standards Updates in the Notes to the Consolidated Financial Statements, which is included in Item 8 of this Report, discusses new accounting pronouncements that we adopted and the expected impact of accounting pronouncements recently issued or proposed, but not yet required to be adopted.

Executive Overview

We are a bank holding company headquartered in Indiana, Pennsylvania with assets of $4.1 billion at December 31, 2011. We provide a full range of financial services through offices located in Allegheny, Armstrong, Blair, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson and Westmoreland counties of Pennsylvania. We provide full service retail and commercial banking products as well as cash management services, insurance, estate planning and administration, employee benefit plan investment management and administration, corporate services and other fiduciary services. Our common stock trades on the Nasdaq Global Select Market under the symbol STBA.

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

Our mission is to become the financial services provider of choice in western Pennsylvania by delivering exceptional service and value, one customer at a time. Our strategic plan is market based and focuses on satisfying the needs of our customers, including: transaction, credit, investment and insurance needs. Transaction needs include the traditional banking needs for both individuals and businesses. Credit needs are solutions for customers with the need to borrow for personal assets, business growth and expansion, or capital leverage. Investments needs are a customer s needs as it relates to deriving growth and return including our investment services through S&T Wealth Management Services and Stewart Capital Advisors. Insurance needs include S&T Evergreen Insurance LLC and S&T Insurance Group, LLC, which provides a host of insurance products and services for both individuals and businesses. Our strategic plan includes a collaborative model that focuses on achieving each customer s individual financial objectives through each of our delivery channels.

We continued to make progress throughout 2011 and are pleased to report positive trends in all of our operations. Our major accomplishments included:

On December 7, 2011 we redeemed all of the $108.7 million of Series A Preferred Stock issued on January 16, 2009 in conjunction with our participation in the U.S. Treasury Capital Purchase Program, or CPP. Our strong capital position allowed us to repurchase the preferred stock without raising additional capital. Upon redemption, a one-time non-cash reduction to net income available to common shareholders of $1.8 million, or $0.06 per common share, was recorded for the remaining unamortized discount of the preferred stock. The repayment of the CPP funds will save us $6.2 million in preferred dividends and amortization, or approximately $0.22 per common diluted share, on an annual basis beginning in 2012.

We are expanding our community banking network through a definitive agreement to acquire Mainline, a community bank based in Ebensburg, Pennsylvania with approximately $236 million in assets. We believe this acquisition fits strategically with our operations, culture and geographic perspective. Mainline operates seven branches in Cambria County, where our presence has been very limited, and one branch in Altoona, which will enhance our position in the Blair county marketplace. We expect the transaction to be completed in the first quarter of

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

2012 pending the approval of the shareholders of Mainline and satisfaction of other customary closing conditions. We believe the merger will be accretive to earnings per share in the first year of operations, excluding one-time costs. Our first quarter of 2012 earnings will be negatively impacted by one-time merger related costs.

Efficiency continues to be our priority and we had several initiatives throughout the year. As regulatory costs increased, we increased our focus on the cost benefit of electronic banking products and delivery channels, now utilized by approximately 60 percent of our customer base. We not only launched new online and mobile banking products, but we also made a concerted effort to shift our customers from paper to electronic statements. As a result, about 47 percent are now receiving e-statements and the savings for us are significant. We also implemented a fee for paper statements in August of 2011. Further, based on our activity levels within our community banking network, we consolidated two branch offices during 2011.

Our earnings increased 6 percent to $39.7 million or $1.41 per share in 2011 compared to $37.3 million or $1.34 per share in the previous year. The primary driver of our improved performance was stabilizing asset quality. Net charge-offs and nonperforming assets decreased in 2011, resulting in a decline in the provision for loan losses of $13.9 million from the prior year. Nonperforming assets totaled $60.1 million, or 1.92 percent of total loans plus other real estate owned, or OREO, at December 31, 2011, as compared to $69.7 million or 2.07 percent at December 31, 2010. The improvement in asset quality was mainly due to a stabilizing economy, proactive efforts to address problem credits and disciplined underwriting standards that resulted in a stronger loan portfolio. We did experience a decline in our net interest income of $8.5 million compared to the prior year. The decline was due to an unfavorable shift in asset mix as we experienced significant loan pay downs throughout 2011 which have been invested in lower yielding assets. Our noninterest income declined $3.2 million from the prior year, due to regulatory changes which significantly impacted our service charges. We did experience a slight decline in expenses of $1.7 million, primarily due lower Federal Deposit Insurance Corporation, or FDIC, assessments compared to the prior year.

Our total assets remained relatively unchanged from the prior year; however, we had significant loan pay downs as evidenced by a decline in our loan balances of $231.3 million from the prior year. These excess funds as a result of loan pay downs are primarily being held as excess cash at the Federal Reserve. We did experience some relief in the pace of loan pay downs in the latter half of 2011. Our deposit base remains strong and we did have an improvement in our mix of deposits compared to the prior year. Our capital ratios did decline due to the redemption of the CPP, but still remain significantly above the well capitalized thresholds of federal bank regulatory agencies with a leverage ratio of 9.17 percent, tier 1 risk-based capital ratio of 11.63 percent and total risk based capital ratio of 15.20 percent.

In 2012, our performance will again be heavily influenced by asset quality. If the economy continues to stabilize and improve, we should expect to see continued progress in reducing net charge-offs, nonperforming loans and provision for loan losses. However, a continuation of the economic slowdown, regionally or nationally, could cause deterioration in our asset quality. We recognize that our shift to a greater dependence on commercial loans in recent years exposes us to larger credit risks and greater swings in nonperforming loans and loan charge-offs when problems do occur. We will focus on mitigating this risk through our disciplined credit risk management practices, such as the review of such loans by our Criticized Asset Committee and continued sound underwriting practices. Because the majority of our revenue comes from net interest income, net loan and deposit growth, combined with the relative pricing and mix of that growth are major factors that affect our operations and financial condition. Our net interest margin will be a challenge as we move into 2012, especially if we continue to experience significant loan paydowns and we expect to see further compression in our net interest margin.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

Results of Operations

Year Ended December 31, 2011

Net Income

Net income available to common shareholders for 2011 was $39.7 million as compared to $37.3 million in 2010, resulting in diluted earnings per common share of $1.41 compared to $1.34 diluted earnings per common share in 2010. The increase in net income was primarily a result of a reduction of $13.9 million in the provision for loan losses partially offset with decreases of $8.5 million in net interest income and $3.2 million in noninterest income.

Return on Equity and Assets

The table below presents our consolidated profitability and capital ratios for each of the last three years:

Years Ended December 31	2011	2010	2009
Common return on average assets	0.97%	0.90%	0.05%
Common return on average equity	6.78%	6.58%	0.37%
Dividend payout ratio	42.44%	44.75%	1247.64%
Common equity to asset ratio	11.91%	11.48%	10.74%

Net Interest Income

Our principal source of revenue is net interest income. Net interest income represents the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the average balance of interest-earning assets and interest-bearing liabilities and changes in interest rates and spreads. Maintaining consistent spreads between interest-earning assets and interest-bearing liabilities is significant to our financial performance because net interest income comprised 76 percent of operating revenue (net interest income plus noninterest income, excluding security gains/losses) in both 2011 and 2010. Refer to page 58 Explanation of Use of Non-GAAP Financial Measures for a discussion of operating revenue as a non-GAAP financial measure. The level and mix of interest-earning assets and interest-bearing liabilities are continually monitored by our Asset and Liability Committee, or ALCO, in order to mitigate interest rate and liquidity risks of the balance sheet. A variety of ALCO strategies were successfully added and implemented, within prescribed ALCO risk parameters, to maintain an acceptable net yield on interest-earning assets (net interest margin) given the challenges of the current interest rate environment.

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

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

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

Years Ended December 31 *(in thousands)*	**2011**	**2010**	**2009**
Interest income per Consolidated Statements of Income	$ 165,079	$ 180,419	$ 195,087
Adjustment to fully taxable-equivalent basis	4,154	4,627	5,202
Interest income adjusted to fully taxable-equivalent basis	169,233	185,046	200,289
Interest expense per Consolidated Statements of Income	27,733	34,573	49,105
Net Interest Income Adjusted to Fully Taxable-equivalent Basis (non-GAAP)	**$ 141,500**	**$ 150,473**	**$ 151,184**

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

Average Balance Sheet and Net Interest Income Analysis

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

	2011			2010			2009		
December 31 *(in thousands)*	**Average Balance**	**Interest**	**Yield/ Rate**	**Average Balance**	**Interest**	**Yield/ Rate**	**Average Balance**	**Interest**	**Yield/ Rate**
ASSETS									
Loans[1][2]	$ 3,216,856	$ 156,845	4.88%	$ 3,386,103	$ 172,319	5.09%	$ 3,473,169	$ 182,767	5.26%
Taxable investment securities	273,320	8,475	3.10%	226,714	8,373	3.69%	286,295	11,897	4.16%
Tax-exempt investment securities[2]	62,607	3,611	5.77%	76,707	4,354	5.68%	103,832	5,624	5.42%
Federal Home Loan Bank stock	20,091		%	23,336		%	23,542		%
Interest-bearing balance with banks	123,714	302	0.24%	49		0.34%	54		0.17%
Federal funds sold			%			%	258	1	0.25%
Total Interest-earning Assets	**3,696,588**	**169,233**	**4.58%**	**3,712,909**	**185,046**	**4.98%**	**3,887,150**	**200,289**	**5.15%**
Noninterest-earning assets:									
Cash and due from banks	50,458			90,462			67,405		
Premises and equipment, net	38,425			39,142			41,915		
Other assets	344,378			340,234			320,803		
Less allowance for loan losses	(57,241)			(59,292)			(57,985)		
Total Assets	**$ 4,072,608**			**$ 4,123,455**			**$ 4,259,288**		
LIABILITIES AND SHAREHOLDERS EQUITY									
Interest-bearing liabilities:									
Interest-bearing demand and money market	$ 536,085	$ 739	0.14%	$ 518,383	$ 1,220	0.24%	$ 485,742	$ 1,616	0.33%
Savings	761,274	1,267	0.17%	749,325	2,127	0.28%	758,216	3,465	0.46%
Certificates of deposit	1,181,823	20,946	1.77%	1,300,803	25,370	1.95%	1,367,372	33,358	2.44%
Federal funds purchased			%			%	115	1	0.79%
Securities sold under repurchase agreements	41,584	53	0.13%	46,490	64	0.14%	86,616	140	0.16%
Short-term borrowings	551	2	0.32%	32,473	146	0.45%	104,217	544	0.52%
Long-term borrowings	31,651	1,091	3.45%	42,920	1,643	3.83%	127,045	5,568	4.38%
Junior subordinated debt securities	90,619	3,635	4.01%	90,619	4,003	4.42%	90,619	4,413	4.87%
Total Interest-bearing Liabilities	**2,643,587**	**27,733**	**1.05%**	**2,781,013**	**34,573**	**1.24%**	**3,019,942**	**49,105**	**1.63%**
Noninterest-bearing liabilities:									
Noninterest-bearing demand	792,911			728,708			637,434		
Other liabilities	50,924			47,064			57,377		
Shareholders equity	585,186			566,670			544,535		
Total Liabilities and Shareholders Equity	**$ 4,072,608**			**$ 4,123,455**			**$ 4,259,288**		
Net Interest Income		**$ 141,500**			**$ 150,473**			**$ 151,184**	
Net Yield on Interest-earning Assets			**3.83%**			**4.05%**			**3.89%**

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

(2) *Tax-exempt income is on a fully taxable-equivalent basis, including the dividend-received deduction for equity securities, using the statutory federal corporate income tax rate of 35 percent for 2011, 2010 and 2009.*

PAGE 34

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

The following table presents a summary of the changes in interest earned and interest paid resulting from changes in average balances and changes in rates:

	2011 Compared to 2010 Increase (Decrease) Due to[1]			2010 Compared to 2009 Increase (Decrease) Due to[1]		
(in thousands)	Volume	Rate	Net	Volume	Rate	Net
Interest earned on:						
Loans[2]	$ (8,613)	$ (6,861)	$ (15,474)	$ (4,581)	$ (5,867)	$ (10,448)
Taxable investment securities	1,722	(1,620)	102	(2,476)	(1,048)	(3,524)
Tax-exempt investment securities[2]	(800)	57	(743)	(1,469)	199	(1,270)
Interest-bearing balance with bank	419	(117)	302			
Federal funds sold				(1)		(1)
Total Interest-earning Assets	**(7,272)**	**(8,541)**	**(15,813)**	**(8,527)**	**(6,716)**	**(15,243)**
Interest paid on:						
Interest-bearing demand and money market	$ 42	$ (523)	$ (481)	$ 109	$ (505)	$ (396)
Savings	34	(894)	(860)	(41)	(1,297)	(1,338)
Certificates of deposit	(2,321)	(2,103)	(4,424)	(1,624)	(6,364)	(7,988)
Federal funds purchased				(1)		(1)
Securities sold under repurchase agreements	(7)	(4)	(11)	(65)	(11)	(76)
Short-term borrowings	(143)	(1)	(144)	(374)	(24)	(398)
Long-term borrowings	(431)	(121)	(552)	(3,687)	(238)	(3,925)
Junior subordinated debt securities		(368)	(368)		(410)	(410)
Total Interest-bearing Liabilities	**(2,826)**	**(4,014)**	**(6,840)**	**(5,683)**	**(8,849)**	**(14,532)**
Change in Net Interest Income	**$ (4,446)**	**$ (4,527)**	**$ (8,973)**	**$ (2,844)**	**$ 2,133**	**$ (711)**

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

(2) *Tax-exempt income is on a fully taxable-equivalent basis, including the dividend-received deduction for equity securities, using the statutory federal corporate income tax rate of 35 percent for 2011, 2010 and 2009.*

Net interest income and net interest margin on a fully taxable-equivalent basis have decreased in 2011 as compared to 2010. The decline in the net interest margin is a result of loan repricing and replacement volume at lower rates and an unfavorable shift in asset mix, offset in part by lower rates paid on deposits and a better funding mix between deposits, including noninterest-bearing demand deposits and borrowings.

The shift in asset mix during 2011 is primarily reflected by the $169.2 million decrease in average loans and an increase in average interest-bearing balance with banks of $123.7 million. The interest-bearing balance with banks is primarily funds held at the Federal Reserve and has increased during 2011 as a result of loan pay downs and weak demand for new loans. The yield on average loans and taxable investment securities decreased 21 basis points and 59 basis points, respectively. Overall, the fully taxable-equivalent yield on total interest-earning assets decreased 40 basis points to 4.58 percent in 2011 as compared to 4.98 percent in 2010.

For 2011, average interest-bearing deposits decreased by $89.3 million to $2.5 billion as compared to $2.6 billion 2010. The decrease in average interest-bearing deposits is attributed to a $119.0 million average balance decrease in certificates of deposits or, CDs, primarily in brokered CDs. The cost of deposits totaled 0.93 percent, a decrease of 19 basis points from 2010 due to lower rates paid on deposits. The cost of securities sold under repurchase agreements, or REPOs, and other short-term borrowed funds decreased 14 basis points to 0.13 percent as a result of lower short-term rates as compared to 2010. Overall, the yield on interest-bearing liabilities decreased 19 basis points to 1.05 percent for 2011 as compared to 2010.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

Positively affecting net interest income was a $121.2 million increase in average net free funds during 2011, as compared to 2010. Average net free funds are the excess of noninterest-bearing demand deposits, other noninterest-bearing liabilities and shareholders equity over noninterest-earning assets. The largest driver of the increase in net free funds was an increase in noninterest-bearing demand deposit average balances, which is a result of limited investment options available to our customers in this current low rate environment.

Provision for Loan Losses

The provision for loan losses is the amount to be added to the ALL after adjusting for charge-offs and recoveries to bring the ALL to a level considered appropriate to absorb probable losses inherent in the loan portfolio. The provision for loan losses decreased to $15.6 million for 2011 compared to $29.5 million for 2010. The substantial decrease in provision for loan losses is a result of the overall improving economic conditions from the prior year and a significant decrease in net charge-offs. Net charge-offs decreased to $18.2 million, 0.56 percent of average loans in 2011 from $37.7 million or 1.11 percent of average loans in 2010 as overall asset quality improved during 2011. Refer to the Allowance for Loan Losses section of this Management s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, for further details.

Noninterest Income

Years Ended December 31 *(in thousands)*	**2011**	**2010**	**$ Change**
Security (losses) gains, net	$ (124)	$ 274	$ (398)
Debit and credit card fees	10,889	9,954	935
Service charges on deposit accounts	9,978	11,178	(1,200)
Insurance fees	8,314	8,312	2
Wealth management fees	8,180	7,808	372
Mortgage banking	1,199	3,403	(2,204)
Other	5,621	6,281	(660)
Total Noninterest Income	**$ 44,057**	**$ 47,210**	**$ (3,153)**

We experienced a decline of $3.2 million in our noninterest income in 2011 primarily as a result of regulatory changes and declining volumes in our mortgage banking area.

Service charges on deposit accounts decreased $1.2 million primarily relating to the impacts of Regulation E, which requires customers with existing accounts to opt in for overdraft coverage of certain types of electronic banking activities. Regulation E caused service charge income to decrease by $1.8 million in 2011, which we offset in part by the introduction of a new paper statement fee in August of 2011. Paper statement fees generated $0.5 million in revenue in 2011. We expect customers to continue to elect to receive electronic bank statements; therefore it is expected that paper statement fee income will decline in future periods.

Mortgage banking includes fee income related to loans sold in the secondary market, mortgage servicing income and fair value adjustments associated with valuing mortgage derivatives. Although interest rates continue to be low, the volume of loan sales in the secondary market have decreased resulting in a $2.2 million decrease in mortgage banking income. During 2011, we sold $67.9 million of 1-4 family mortgage loans to Fannie Mae compared to $109.3 million in 2010 which resulted in a fee reduction of $0.9 million. In the second quarter of 2011, we began to retain within the loan portfolio 10 and 15 year mortgages which had previously been priced and underwritten using secondary market terms and guidelines. Additionally, we recorded higher impairment charges on our

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS continued

mortgage servicing asset in 2011 compared to 2010. This impairment charge reflects a decline in the value of the remaining mortgage servicing rights due to increased prepayment speeds resulting from decreases in interest rates.

We recognized $0.1 million in security losses in 2011 related to OTTI on two equity securities compared to realized gains of $0.3 million in the prior year. In the prior year, OTTI was not significant and we experienced gains as we sold several of our equity positions.

The decreases in noninterest income are partially offset by increases of $0.9 million in debit and credit card fees and $0.4 million in wealth management fees. Debit and credit card fees have increased $0.9 million in 2011 as a result of increased volume and successful marketing campaigns around signature based debit card transactions throughout 2011. Our wealth management fees increased $0.4 million from the prior year. We experienced increased fee income of $0.2 million as our customers moved to fixed annuities in this low interest rate environment. Additionally, wealth management fees were positively impacted by improving market conditions in 2011.

Noninterest Expense

Years Ended December 31 *(in thousands)*	**2011**	**2010**	**$ Change**
Salaries and employee benefits	$ 51,078	$ 48,715	$ 2,363
Net occupancy	6,943	6,928	15
Data processing	6,853	6,145	708
Professional services and legal	5,437	6,889	(1,452)
Furniture and equipment	4,941	5,054	(113)
FDIC assessment	3,570	5,426	(1,856)
Other taxes	3,381	3,432	(51)
Joint venture amortization	3,302	2,573	729
Marketing	3,019	2,795	224
Other expenses:			
Amortization of intangibles	1,737	1,943	(206)
Other real estate owned	1,518	1,921	(403)
Loan collection fees	624	1,770	(1,146)
Unfunded loan commitments	(1,474)	(1,555)	81
Other	12,979	13,597	(618)
Total Noninterest Expense	**$ 103,908**	**$ 105,633**	**$ (1,725**