

S&T BANCORP INC  
Form 10-K  
March 01, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form 10-K**

þ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended December 31, 2005

Commission file number 1-12508

**S&T BANCORP, INC.**

(Exact name of registrant as specified in its charter)

**Pennsylvania**  
(State or other jurisdiction of incorporation of organization)

**25-1434426**  
(IRS Employer Identification No.)

**43 South Ninth Street, Indiana, PA**  
(Address of principal executive offices)

**15701**  
(Zip Code)

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

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

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

**Common Stock, Par Value \$2.50 per share**

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(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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes  No

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant as of June 30, 2005:

**Common Stock, \$2.50 par value \$900,184,546**

The number of shares outstanding of the issuer's classes of common stock as of February 9, 2006:

**Common Stock, \$2.50 par value 26,238,580 shares**

**DOCUMENTS INCORPORATED BY REFERENCE**

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Portions of the proxy statement for the annual shareholders meeting to be held April 17, 2006

are incorporated by reference into Part III.

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**Part I**

**Item 1. BUSINESS**

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**General**

S&T Bancorp, Inc. ( S&T ; references to we or us 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 two wholly owned subsidiaries, S&T Bank and 9th Street Holdings, Inc. S&T owns a one-half interest in Commonwealth Trust Credit Life Insurance Company ( CTCLIC ). S&T is registered as a financial holding company with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended ( BHCA ).

As of December 31, 2005, S&T had approximately \$3.2 billion in total assets, \$352.4 million in total shareholder s equity and \$2.4 billion in total deposits. S&T Bank deposits are insured by the Federal Deposit Insurance Corporation ( FDIC ) to the maximum extent provided by law.

S&T Bank is a full service bank with its Main Office at 43 South Ninth Street, Indiana, Pennsylvania, providing service to its customers through a branch network of 50 offices located in Allegheny, Armstrong, Blair, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson and Westmoreland counties of Pennsylvania.

S&T Bank s services include accepting time and demand deposit accounts, originating commercial and consumer loans, providing letters of credit, offering discount brokerage services, personal financial planning, credit card services and insurance products. Management believes that S&T Bank has 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). S&T Bank has not experienced significant fluctuations in deposits.

Total wealth management assets were approximately \$1.2 billion at December 31, 2005. Wealth Management Services include services as executor and trustee under wills and deeds, as guardian and custodian of employee benefit and other trusts and brokerage services.

S&T Bank has four wholly owned subsidiaries, S&T Insurance Group, LLC, S&T Banc Holdings, Inc., S&T Professional Resources Group, LLC and Stewart Capital Advisors, LLC. In May 2002, S&T Professional Resources Group, LLC was formed to market software developed by S&T. In August 2002, S&T Banc Holdings, Inc. was formed as an investment holding company. In August 2002, S&T Bank acquired Evergreen Insurance Associates, Inc., a multi-line insurance agency with a client base of approximately 2,000 customers in Pennsylvania, Maryland and West Virginia. Evergreen Insurance Associates, Inc. was merged into Evergreen Acquisition, LLC, with a resulting name change to Evergreen Insurance Associates, LLC ( Evergreen ), a wholly owned subsidiary of S&T Insurance Group, LLC. Evergreen provides insurance programs structured to the individual needs of its customers, and offers a full line of commercial property and casualty insurance, group life and health coverage, employee benefit solutions as well as personal insurance. In September 2005, Stewart Capital Advisors, LLC was formed as a registered investment advisor to provide financial planning and investment advisory services to high net worth customers.

**Employees**

As of December 31, 2005, S&T Bank and subsidiaries had 789 full-time equivalent employees. S&T provides a variety of employment benefits and considers its relationship with its employees to be good.

**Access to United States Securities and Exchange Commission Filings**

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All reports filed electronically by S&T with the United States Securities and Exchange Commission ( SEC ), including our annual report 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

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accessible at no cost on our website at [www.stbancorp.com](http://www.stbancorp.com). These filings are also accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any material S&T files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., 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.

**Supervision and Regulation**

**General**

S&T and S&T Bank are each extensively regulated under both federal and state law. The following describes certain aspects of such regulation and does not purport to be a complete description of all regulations that affect S&T or all aspects of such 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 on any changes and the impact such changes might have on S&T or S&T Bank are 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**

S&T is a bank holding company subject to regulation under the BHCA, and the examination and reporting requirements of the Board of Governors of the Federal Reserve Board (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. S&T has received such approvals from the Federal Reserve Board for the following passive ownership positions:

<b>Name of Entity</b>	<b>% Approved</b>	<b>% of Outstanding Shares Owned by S&amp;T</b>
Allegheny Valley Bancorp, Inc.	14.0%	14.0%
CBT Financial Corp.	9.9%	5.4%
IBT Bancorp, Inc.	9.9%	7.9%

S&T also is subject to the supervision and regulation of the Pennsylvania Department of Banking ( PADB ). S&T became a financial holding company under BHCA as amended by the Gramm-Leach-Bliley Act of 1999 ( GLB ) in 2001. In order to maintain its status as a financial holding company, all depository institutions controlled by the bank holding company must be well capitalized and well managed, and have at least a satisfactory Community Reinvestment Act ( CRA ) rating. S&T and S&T Bank currently satisfy these criteria. No 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 GLB defines financial in nature to include

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securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve Board has determined to be closely related to banking. Banks also may engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance

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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. The GLB also establishes a system of functional regulation, under which the federal banking agencies will regulate the banking activities of financial holding companies and banks' financial subsidiaries, the SEC will regulate their securities activities and state insurance regulators will regulate their insurance activities. In addition, rules developed by the federal banking agencies pursuant to the GLB 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.

S&T is presently engaged in nonbanking activities through the following six entities: 9th Street Holdings, Inc., S&T Banc Holdings, Inc., CTCLIC, S&T Insurance Group, LLC, S&T Professional Resources Group, LLC and Stewart Capital Advisors, LLC. 9th Street Holdings, Inc. was formed in June 1988 and S&T Banc Holdings, Inc. was formed in August 2002 to hold and manage a group of investments previously owned by S&T Bank and to give S&T additional latitude to purchase other investments. CTCLIC, which is a joint venture with another financial institution, acts 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 high-quality life insurance and long-term disability income insurance products through Evergreen Insurance Associates, LLC. During 2002, S&T Insurance Group, LLC expanded into the property and casualty insurance business with the acquisition of Evergreen Insurance, LLC. S&T Professional Resources Group, LLC markets software developed by S&T. Stewart Capital Advisors, LLC was formed September 1, 2005 to act as a registered investment advisor.

There are a number of obligations and restrictions imposed on financial holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance funds in the event the depository institution becomes in danger of default or in default. For example, under a policy of the Federal Reserve Board with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so otherwise.

**S&T Bank**

As a state-chartered, commercial bank, the deposits of which are insured by the Bank Insurance Fund ( BIF ) of the FDIC, S&T Bank is subject to the supervision and regulation of the PADB and the FDIC. S&T Bank also is 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.

S&T Bank also is subject to federal laws that limit the amount of transactions between itself and S&T or S&T's nonbank subsidiaries. Under these provisions, transactions by a bank with its parent company or any nonbank affiliate generally are limited to 10 percent of the bank subsidiary's capital and surplus or 20 percent in the aggregate. Further, loans and extensions of credit generally are required to be secured by eligible collateral in specified amounts. The GLB imposes similar restrictions on transactions between a bank and its financial subsidiaries. A bank, such as S&T Bank is prohibited from purchasing any low quality asset from an affiliate. S&T Bank is in compliance with these provisions.

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**Insurance of Accounts; Depositor Preference**

The deposits of S&T Bank are insured up to applicable limits per insured depositor by the Bank Insurance Fund ( BIF ) of the FDIC. As an FDIC-insured bank, S&T Bank also is subject to FDIC insurance assessments. Currently, the amount of FDIC assessments paid by individual insured depository institutions ranges from zero to \$0.27 per \$100 of insured deposits, based on their relative risk to the deposit insurance funds, as measured by the institutions' regulatory capital position and other supervisory factors. S&T Bank currently pays the lowest premium rate based upon this risk assessment. However, the FDIC retains the ability to increase regular assessments and to levy special additional assessments.

In addition to deposit insurance fund assessments, beginning in 1997, the FDIC assessed BIF-assessable and Savings Association Insurance Fund ( SAIF )-assessable deposits to fund the repayment of debt obligations of the Financing Corporation ( 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. At December 31, 2005, the current annualized rate established by the FDIC for both BIF-assessable and SAIF-assessable deposits was 1.34 basis points (hundredths of one percent).

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 any receiver appointed by regulatory authorities. Such priority creditors would include the FDIC.

On February 1, 2006, the FDIC Reform Act of 2005 was enacted by Congress. This legislation, among other changes, will merge the BIF and SAIF into one fund, increase insurance coverage for retirement accounts to \$250,000 and index the deposit levels for inflation.

**Capital**

The Federal Reserve Board and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to banking organizations they supervise. Under the risk-based capital requirements, both S&T and S&T Bank generally are required to maintain a minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) of 8.00 percent. At least half of the total capital must be composed of common equity, retained earnings and qualifying perpetual preferred stock, less certain intangibles ( Tier 1 capital ). The remainder may consist of certain subordinated debt, certain hybrid capital instruments and other qualifying preferred stock, and a limited amount of the loan loss allowance ( Tier 2 capital and, together with Tier 1 capital, Total capital ). At December 31, 2005, S&T's Tier 1 and Total capital ratios were 10.52 percent and 12.09 percent, respectively, and the ratios of Tier 1 capital and Total capital to total risk-adjusted assets for S&T Bank were 9.57 percent and 10.89 percent, respectively.

In addition, each of the federal bank regulatory agencies has established minimum leverage capital ratio requirements for banking organizations. These requirements provide for a minimum leverage ratio of Tier 1 capital to adjusted average quarterly assets equal to 3.00 percent for bank and bank holding companies that meet certain specified criteria, including that they have 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. At December 31, 2005, S&T's leverage ratio was 9.50 percent, and S&T Bank's leverage ratio was 8.61 percent.

Both the Federal Reserve Board's 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



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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 also has issued additional capital guidelines for certain bank holding companies that engage in trading activities. S&T does not believe that consideration of these additional factors will affect the regulators' assessment of S&T's or S&T Bank's capital position.

**Payment of Dividends**

S&T is a legal entity separate and distinct from its banking and other subsidiaries. A substantial portion of S&T's revenues consist of dividend payments it receives 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 (1) the organization's net income available to common shareholders over the past year has been sufficient to fund fully the dividends and (2) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality and overall financial condition. S&T does not expect that any of these laws, regulations or policies will materially influence S&T's or S&T Bank's ability to pay dividends. During the year ended December 31, 2005, S&T Bank paid \$29.3 million in cash dividends to S&T.

**Other Safety and Soundness Regulations**

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ( FDICIA ) 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 not be subject to a capital directive 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, or 3.00 percent in some cases. As of December 31, 2005, S&T Bank was 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. Among other things, only a well capitalized depository institution may accept brokered deposits without prior regulatory approval.

As required by FDICIA, the federal banking agencies also have 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, among other things, appropriate

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systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe 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 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 ( FDIA ). In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

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 nation-wide and state-imposed deposit concentration limits. S&T Bank has the ability, subject to certain restrictions, to acquire by acquisition or merger, branches of banks located outside of Pennsylvania, its home state. The establishment of de novo interstate branches is also possible in those states where expressly permitted. Once a bank has established branches in a state through an interstate merger transaction, the bank may establish and acquire additional branches at any location in the state where a bank headquartered in that state could have established or acquired branches under applicable federal or state law.

### **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 the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act and the Community Reinvestment Act (the CRA. )

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,

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satisfactory, needs to improve, or unsatisfactory. S&T Bank was rated satisfactory in its most recent CRA evaluation.

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**Anti-Money Laundering Legislation**

S&T Bank is subject to the Bank Secrecy Act and 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 also is required to develop and implement a comprehensive anti-money laundering compliance program. Banks also must 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 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.

**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. 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.

**Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act of 2002 comprehensively revised the laws affecting corporate governance, accounting obligations and corporate reporting for companies, such as S&T, with equity or debt securities registered under the Securities Exchange Act of 1934 (the Exchange Act). In particular, the Sarbanes-Oxley Act established: (1) new requirements for audit committees, including independence, expertise, and responsibilities; (2) requirements with respect to the establishment and evaluation of disclosure controls and procedures and internal control over financial reporting, and the audit of internal control over financial reporting; (3) additional responsibilities for the Chief Executive Officer and Chief Financial Officer of the reporting company with respect to financial statements and other information included in Exchange Act reports; (4) new standards for auditors and regulation of audits; (5) increased disclosure and reporting obligations for the reporting company and its directors and executive officers; and (6) new and increased civil and criminal penalties for violations of the securities laws.

**Item 1A. RISK FACTORS**

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Investments in S&T common stock involve risk. The following discussion highlights risks management believes are material for our company, but does not necessarily include all risks that S&T may face.

**The market price of S&T common stock may fluctuate significantly in response to a number of factors, including:**

changes in securities analysts' estimates of financial performance  
volatility of stock market prices and volumes  
changes in market valuations of similar companies  
changes in interest rates since net interest income comprises the majority of our revenue and is significantly influenced by changes in interest rates  
new products or services offered in the banking and/or financial services industries  
variations in quarterly or annual operating results

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**Item 1A. RISK FACTORS continued**

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new litigation  
regulatory actions including new laws and regulations and continued compliance with existing laws and regulation  
changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies

**If S&T does not adjust to changes in the financial services industry, its financial performance may suffer.**

S&T's ability to maintain its history of strong financial performance and return on investment to shareholders will depend in part on its ability to expand its scope of available financial services to its customers. In addition to other banks, competitors include security dealers, brokers, mortgage bankers, investment advisors, and finance and insurance companies. The increasingly competitive environment is, in part, a result of changes in regulation, changes in technology and product delivery systems, and the accelerating pace of consolidation among financial service providers.

**Future governmental regulation and legislation could limit our growth.**

S&T is subject to extensive state and federal regulation, supervision and legislation that govern nearly every aspect of our operations. Changes to these laws could affect our ability to deliver or expand our services and diminish the value of our business. See [Supervision and Regulation](#) for additional information.

**Changes in interest rates could reduce income and cash flow.**

S&T's income and cash flow depends to a great extent on the difference between the interest earned on loans and investment securities, and the interest paid on deposits and other borrowings. Interest rates are beyond our control, and they fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, will influence the origination of loans, the purchase of investments, the generation of deposits and the rates received on loans and investment securities and paid on deposits. Although increases in interest rates would result in additional interest income from each new loan made or serviced, the number of new loans is likely to decrease as interest rates rise. Any revenue reductions from fewer loans and increased interest expense paid in connection with borrowed funds and deposits may not be offset by the higher income as a result of increased interest rates.

**Item 1B. UNRESOLVED STAFF COMMENTS**

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There were no comments received from the Securities and Exchange Commission regarding S&T's periodic or current reports within the last 180 days prior to December 31, 2005.



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**Item 2. PROPERTIES**

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S&T operates 50 banking offices in Allegheny, Armstrong, Blair, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson, Westmoreland and surrounding counties in Pennsylvania.

**S&T owns land and banking offices at the following locations:**

133 Philadelphia Street	205 East Market Street	111 Resort Plaza Drive	456 Main Street
Armagh, PA 15920	Blairsville, PA 15717	Blairsville, PA 15717	Brockway, PA 15824
256 Main Street	209 Allegheny Boulevard	100 South Chestnut Street	410 Main Street
Brookville, PA 15825	Brookville, PA 15825	Derry, PA 15627	Clarion, PA 16214
650 Main Street	85 Greensburg Street	200 Patchway Road	614 Liberty Boulevard
Clarion, PA 16214	Delmont, PA 15626	Duncansville, PA 16635	DuBois, PA 15801
Coral Reef & Crooked	35 West Scribner Avenue	34 North Main Street	420 Pleasantview Drive &
Island Roads	DuBois, PA 15801	Homer City, PA 15748	Armstrong Street
DuBois, PA 15801			Ford City, PA 16226
920 Fifth Avenue	701 East Pittsburgh Street	Route 119 and	2175 Route 286 South
Ford City, PA 16226	Greensburg, PA 15601	Lucerne Road	Indiana, PA 15701
		Lucernemines, PA 15754	
100 South Fourth Street	501 Philadelphia Street	2190 Hulton Road	4385 Old Wm. Penn Hwy
Youngwood, PA 15697	Indiana, PA 15701	Verona, PA 15147	Monroeville, PA 15146
4251 Old Wm. Penn Hwy	628 Broad Street	539 West Mahoning Street	12262 Frankstown Road
Murrysville, PA 15668	New Bethlehem, PA 16242	Punxsutawney, PA 15767	Pittsburgh, PA 15235
301 Unity Center Road	7660 Saltsburg Road	30 Towne Center Drive	232 Hampton Avenue
Pittsburgh, PA 15239	Pittsburgh, PA 15239	Leechburg, PA 15656	Punxsutawney, PA 15767
418 Main Street	602 Salt Street		
Reynoldsville, PA 15851	Saltsburg, PA 15681		

**S&T leases land where S&T owns the banking offices and remote ATM buildings at the following locations:**

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8th & Merle Street  
Clarion, PA 16214  
1107 Wayne Avenue  
Indiana, PA 15701

2320 Route 286  
Pittsburgh, PA 15239  
1176 Grant Street  
Indiana, PA 15701

523 Franklin Avenue  
Vandergrift, PA 15690  
229 Westmoreland Drive,  
Route 30  
Greensburg, PA 15601

435 South Seventh Street  
Indiana, PA 15701  
220 New Castle Road  
Butler, PA 16001

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**Item 2. PROPERTIES continued**

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**S&T leases land and banking offices at the following locations:**

20001 Route 19 Suite B Cranberry Township, PA 16066	6700 Hollywood Blvd. Delmont, PA 15626	5522 Shaffer Road Suite 99 DuBois Mall DuBois, PA 15801	206 East High Street Ebensburg, PA 15931
Lawruk Plaza	324 North Fourth Street Indiana, PA 15701	835 Hospital Road Indiana, PA 15701	3884 Route 30 East Latrobe, PA 15650
208 West Plank Road Altoona, PA 16602			
Southtowne Plaza 3100 Oakland Avenue Indiana, PA 15701	Route 268 Hilltop Plaza Kittanning, PA 16201	100 Colony Lane Suite B Latrobe, PA 15650	196 Industrial Park Ebensburg, PA 15931
2388 Route 286 Holiday Park, PA 15239	Shadyside Village 820 South Aiken Avenue Pittsburgh, PA 15232	908 Caroline Street Nanty Glo, PA 15943	Two Gateway Center 603 Stanwix Street, Suite 125 Pittsburgh, PA 15222

**Item 3. LEGAL PROCEEDINGS**

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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 S&T is a party or to which our property is subject, which, if determined adversely to S&T, 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

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There were no matters during the fourth quarter of the fiscal year covered by this report that were submitted to a vote of our security holders through solicitation of proxies or otherwise.

**Table of Contents****PART II****Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER****MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES****STOCK PRICES AND DIVIDEND INFORMATION**

S&T's common stock is listed on the NASDAQ National Market System (NASDAQ) under the symbol STBA. The range of sale prices for the years 2005 and 2004 are as follows and is based upon information obtained from NASDAQ. As of the close of business February 9, 2006, there were 3,113 shareholders of record of S&T. 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 Note J to the Consolidated Financial Statements. The cash dividends declared shown below represent the historical per share amounts for S&T Common Stock.

	<b>Price Range of Common Stock</b>		<b>Cash Dividends Declared</b>
	<b>Low</b>	<b>High</b>	
<b>2005</b>			
Fourth Quarter	\$ 33.95	\$ 39.24	\$ 0.29
Third Quarter	35.77	40.52	0.28
Second Quarter	33.23	37.46	0.28
First Quarter	34.95	38.39	0.28
<b>2004</b>			
Fourth Quarter	\$ 35.50	\$ 38.60	\$ 0.27
Third Quarter	31.18	36.90	0.27
Second Quarter	27.85	32.14	0.27
First Quarter	29.16	31.65	0.26

During 2005, S&T repurchased 660,400 shares of its common stock at an average price of \$35.09 per share. The impact of the repurchased shares is insignificant to earnings per share. The remaining shares authorized under this program expired at December 31, 2005. S&T reissued 330,735 shares primarily through the exercise of employee stock options. In December 2005, our Board of Directors authorized a plan for our repurchase of up to one million shares or approximately 4 percent of shares outstanding during the period January 1, 2006 through December 31, 2006.

**Table of Contents****Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER****MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES continued**

The following information describes the activity that has taken place during 2005 with respect to S&T's share repurchase plan:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that Can be Purchased Under the Plan
01/01/2005 - 01/31/2005 <sup>(1)(2)(3)</sup>				1,000,000
02/01/2005 - 02/28/2005				1,000,000
03/01/2005 - 03/31/2005	115,000	\$ 36.21	115,000	885,000
04/01/2005 - 04/30/2005	129,100	33.83	129,100	755,900
05/01/2005 - 05/31/2005	194,500	34.90	194,500	561,400
06/01/2005 - 06/30/2005	79,900	35.41	79,900	481,500
07/01/2005 - 07/31/2005				481,500
08/01/2005 - 08/31/2005				481,500
09/01/2005 - 09/30/2005	4,000	36.96	4,000	477,500
10/01/2005 - 10/31/2005	126,900	35.24	126,900	350,600
11/01/2005 - 11/30/2005				350,600
12/01/2005 - 12/31/2005	11,000	36.94	11,000	339,600
<b>Total</b>	<b>660,400</b>	<b>\$ 35.09</b>	<b>660,400</b>	<b>339,600</b>

(1) The plan was announced on December 20, 2004.

(2) The plan was approved by the S&T Board of Directors for the repurchase of up to one million shares.

(3) The expiration date of the plan is December 31, 2005.

**Item 6. SELECTED FINANCIAL DATA**

Year Ended December 31:	2005	2004	2003
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