SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 0-12508

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

| | |
|---|---|
| Pennsylvania | 25-1434426 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S.EMPLOYER Identification No.) |
| 800 Philadelphia Street, Indiana, PA | 15701 |
| (Address of principal executive offices) | (Zip Code) |

(412) 349-2900
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter periods 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, $2.50 Par Value - 11,236,553 shares as of July 25, 1995

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S&T BANCORP, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION Page No.

Item 1. Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 1995 | December 31, 1994 |
|---|---|---|
| | (000's omitted except share data) | |
| ASSETS | | |
| Cash and due from banks | $37,109 | $38,791 |
| Interest-earning deposits with banks | 167 | 3,824 |
| Securities available for sale | 132,300 | 118,904 |
| Investment securities | 194,968 | 187,220 |
| Total loans | 947,108 | 924,408 |
| Less allowance for loan losses | (15,058) | (14,331) |
| Net Loans | 932,050 | 910,077 |
| Premises and equipment | 14,656 | 14,690 |
| Other assets | 18,356 | 20,231 |
| TOTAL ASSETS | $1,329,606 | $1,293,737 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing demand | $105,902 | $111,345 |
| Interest-bearing demand | 97,025 | 97,970 |
| Money market | 108,706 | 104,296 |
| Savings | 134,251 | 139,648 |
| Time | 490,231 | 449,981 |
| Total Deposits | 936,115 | 903,240 |
| Securities sold under repurchase agreements | 149,064 | 169,871 |
| Federal funds purchased | 5,475 | 19,590 |
| Other borrowed funds | 380 | 430 |
| Long-term borrowing | 73,101 | 43,405 |
| Other liabilities | 13,203 | 15,614 |
| TOTAL LIABILITIES | 1,177,338 | 1,152,150 |
| SHAREHOLDERS' EQUITY | | |
| Common stock $2.50 par value, 25,000,000 shares authorized and 11,820,944 issued | 29,552 | 29,552 |
| Additional paid in capital | 10,589 | 10,217 |
| Retained earnings | 105,891 | 99,824 |
| Net unrealized holding gains on securities available for sale | 13,894 | 8,406 |
| Treasury stock (600,514 shares at June 30, 1995 and 555,223 at December 31, 1994) | (7,278) | (5,982) |
| Deferred compensation | (380) | (430) |
| TOTAL SHAREHOLDER'S EQUITY | 152,268 | 141,587 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | $1,329,606 | $1,293,737 |

See Notes to Condensed Consolidated Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | For Three Months Ended June 30, | | For Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1995 | 1994 | 1995 | 1994 |
| | (000's omitted except per share data) | | | |
| INTEREST INCOME | | | | |
| Loans, including fees | $21,444 | $17,176 | $41,932 | $33,452 |
| Deposits with banks | 62 | 70 | 131 | 139 |
| Federal funds sold | 14 | 7 | 14 | 7 |
| Investment securities: | | | | |
| Taxable | 4,185 | 4,300 | 8,113 | 8,683 |
| Tax-exempt | 447 | 557 | 917 | 1,123 |
| Dividends | 628 | 583 | 1,261 | 1,139 |
| Total Interest Income | 26,780 | 22,693 | 52,368 | 44,543 |
| INTEREST EXPENSE | | | | |
| Deposits | | | | |
| Interest-bearing demand | 372 | 403 | 749 | 838 |
| Money market | 1,122 | 773 | 2,196 | 1,440 |
| Savings | 809 | 871 | 1,626 | 1,714 |
| Time | 6,740 | 5,629 | 12,961 | 11,279 |
| Securities sold under repurchase agreements | 2,318 | 1,413 | 4,708 | 2,561 |
| Federal funds purchased | 201 | 113 | 374 | 193 |
| Long term borrowing | 1,007 | 322 | 1,635 | 651 |
| Other borrowed funds | 8 | 12 | 16 | 23 |
| Total Interest Expense | 12,577 | 9,536 | 24,265 | 18,699 |
| NET INTEREST INCOME | 14,203 | 13,157 | 28,103 | 25,844 |
| Provision for loan losses | 750 | 700 | 1,500 | 1,300 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 13,453 | 12,457 | 26,603 | 24,544 |
| NONINTEREST INCOME: | | | | |
| Trust fees | 595 | 521 | 1,212 | 1,062 |
| Service charges on deposit accounts | 727 | 635 | 1,370 | 1,186 |
| Net securities/nonrecurring gains | 397 | 255 | 360 | 464 |
| Other | 325 | 493 | 991 | 1,058 |
| Total Noninterest Income | 2,044 | 1,904 | 3,933 | 3,770 |
| NONINTEREST EXPENSE | | | | |
| Salaries and employee | 4,423 | 4,286 | 8,787 | 8,467 |
| Occupancy expense, net | 517 | 559 | 1,044 | 1,081 |
| Equipment expense, net | 496 | 416 | 1,102 | 1,068 |
| Data processing | 355 | 320 | 714 | 700 |
| FDIC assessment | 511 | 505 | 1,021 | 1,011 |
| Other | 2,275 | 1,936 | 4,254 | 3,842 |
| Total Noninterest Expense | 8,577 | 8,022 | 16,922 | 16,169 |
| INCOME BEFORE INCOME TAXES | 6,920 | 6,339 | 13,614 | 12,145 |
| Applicable income taxes | 1,842 | 1,714 | 3,615 | 3,053 |
| NET INCOME | $5,078 | $4,625 | $9,999 | $9,092 |
| PER COMMON SHARE | | | | |
| Net Income | $0.45 | $0.41 | $0.89 | $0.80 |
| Dividends | 0.18 | 0.15 | 0.35 | 0.29 |
| Average Common Shares Outstanding | 11,239 | 11,289 | 11,249 | 11,282 |

See Notes to Condensed Consolidated Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended June 30 | |
|---|---|---|
| | 1995 | 1994 |
| | (000's omitted) | |
| Operating Activities | | |
| Net Income | $9,999 | $9,092 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 1,500 | 1,300 |
| Provision for depreciation and amortization | 688 | 626 |
| Net amortizaton of investment security premiums | 435 | 783 |
| Net accretion of loan and deposit discounts | (538) | (623) |
| Net gains on sales of securities available for sale | (130) | (463) |
| Net investment security gains | | (1) |
| (Increase) decrease in deferred income taxes | (197) | 23 |
| Increase in interest receivable | (165) | (960) |
| Increase in interest payable | 2,099 | 1,734 |
| Increase in other assets | (548) | (976) |
| (Decrease) increase in other liabilities | (4,614) | 778 |
| Net Cash Provided by Operating Activities | 8,529 | 11,313 |
| Investing Activities | | |
| Net redemption (increase) of interest-earning deposits with banks | 3,657 | (111) |
| Proceeds from maturities of investment securities | 16,811 | 28,192 |
| Proceeds from maturities of securities available for sale | 2,000 | 5,000 |
| Proceeds from sales of securities available for sale | 11,976 | 19,009 |
| Purchases of investment securities | (24,706) | (14,800) |
| Purchases of securities available for sale | (19,086) | (22,193) |
| Net increase in loans | (57,674) | (40,975) |
| Proceeds from the sale of loans | 34,739 | |
| Purchases of premises and equipment | (844) | (1,429) |
| Proceeds from the sale of premises and equipment | 19 | (13) |
| Net Cash Used by Investing Activities | (33,108) | (27,320) |
| Financing Activities | | |
| Net (decrease) increase in demand, NOW and savings deposits | (7,375) | 14,985 |
| Net increase (decrease) in certificates of deposit | 40,250 | (1,878) |
| Net(decrease) increase in repurchase agreements | (20,807) | 22,393 |
| Net decrease in federal funds purchased | (14,115) | (15,000) |
| Increase in long-term borrowing | 29,695 | 3,443 |
| Acquisition of treasury stock | (1,720) | (567) |
| Sale of treasury stock | 795 | 658 |
| Cash dividends paid to shareholders | (3,826) | (3,043) |
| Net Cash Provided by Financing Activities | 22,897 | 20,991 |
| (Decrease) Increase in Cash and Cash Equivalents | (1,682) | 4,984 |
| Cash and Cash Equivalents at Beginning of Period | 38,791 | 32,936 |
| Cash and Cash Equivalents at End of Period | $37,109 | $37,920 |

See Notes to Condensed Consolidated Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1995
NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.  Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.  In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1995 are not necessarily indicative of theresults that may be expected for the year ending December 31, 1995. For further information, refer to the consolidated financial statements and footnotes thereto included in the annual report on Form 10-K for the year ended December 31, 1994.

NOTE B--SECURITIES

The amortized cost and estimated market value of securities as of June 30 are as follows:

| 1995 | Available for Sale | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| | | (000's omitted) | | |
| Marketable equity securities | $32,426 | $20,987 | ($652) | $52,761 |
| Obligations of U.S. government corporations and agencie | 17,028 | 215 | (13) | 17,230 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | 5,134 | | (146) | 4,988 |
| U.S. Treasury securities | 56,336 | 985 | | 57,321 |
| | $110,924 | $22,187 | ($811) | $132,300 |

| 1995 | Investment Securities | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| | | (000's omitted) | | |
| U.S. Treasury bonds and obligations of U.S. government corporations and agencies | $138,170 | $4,133 | ($637) | $141,666 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | 13,170 | 168 | | 13,338 |
| Obligations of states and political subdivisions | 30,565 | 757 | (30) | 31,292 |
| Corporate securities | 2,791 | 319 | | 3,110 |
| | 184,696 | 5,377 | (667) | 189,406 |
| Other securities | 10,272 | 0 | 0 | 10,272 |
| Total | $194,968 | $5,377 | ($667) | $199,678 |



NOTE B-SECURITIES

The amortized cost and estimated market value of securities as of December 31 are as follows:

| 1994 | Available for Sale | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| | | (000's omitted) | | |

| | | | | |
|---|---|---|---|---|
| Marketable equity securities | $32,122 | $15,864 | ($1,568) | $46,418 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | 5,147 | | (597) | 4,550 |
| U.S. Treasury securities | 68,704 | 67 | (835) | 67,936 |
| | $105,973 | $15,931 | ($3,000) | $118,904 |

| 1994 | Investment Securities | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| | | (000's omitted) | | |
| U.S. Treasury bonds and obligations of U.S. government corporations and agencies | $130,456 | $99 | ($4,508) | $126,047 |
| Collateralized mortgage obligations of U.S. government corporations and agencies | 14,451 | 30 | ($68) | 14,413 |
| Obligations of states and political subdivisions | 32,816 | 295 | (542) | 32,569 |
| Corporate securities | 4,038 | 129 | | 4,167 |
| | 181,761 | 553 | (5,118) | 177,196 |
| Other securities | 5,459 | | | 5,459 |
| Total | $187,220 | $553 | ($5,118) | $182,655 |

During the period ended June 30, 1995, there were $542,882 in realized gains and $412,759 in realized lossed relative to securities available for sale.

The amortized cost and estimated market value of debt securities at June 30, 1995, by contractual maturity, are shown below:

| Available for Sale | Amortized Cost | Estimated Market Value |
|---|---|---|
| | (000's omitted) | |
| Due in one year or less | $25,109 | $26,272 |
| Due after one year through | 41,227 | 41,264 |
| five years | 7,028 | 7,015 |
| Due after five years through | 5,134 | 4,988 |
| ten years | | |
| Total | $78,498 | $79,539 |



NOTE B-SECURITIES

| Investment Securities | Amortized Cost | Estimated Market Value |
|---|---|---|
| | | (000's omitted) |
| Due in one year or less | $4,687 | $4,729 |
| Due after one year through five years | 99,486 | 101,882 |
| Due after five years through ten years | 72,784 | 74,999 |
| Due after ten years | 7,739 | 7,796 |
| Total | $184,696 | $189,406 |

At June 30, 1995 and December 31, 1994 investment securities with a principal amount of $201,637,000 and $230,171,000 respectively, were pledged to secure repurchase agreements and public and trust fund deposits.

NOTE C--LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the loan portfolio was as follows:

| | June 30, 1995 | December 31, 1994 |
|---|---|---|
| | (000's omitted) | |
| Real estate - construction | $42,994 | $32,714 |
| Real estate - mortgages: | | |
| Residential | 358,796 | 343,935 |
| Commercial | 182,626 | 199,959 |
| Commercial - industrial and agricultural | 218,581 | 197,028 |
| Consumer installment | 144,111 | 150,772 |
| Total Loans | $947,108 | $924,408 |

Changes in the allowance for loan losses for the six months ended June 30 were as follows:

| | 1995 | 1994 |
|---|---|---|
| | (000's omitted) | |
| Balance at beginning of period | $14,331 | $13,480 |
| Charge-offs | (1,156) | (1,221) |
| Recoveries | 383 | 438 |
| Net charge-offs | (773) | (783) |
| Provision for loan losses | 1,500 | 1,300 |
| Balance at end of period | $15,058 | $13,997 |

Financial Accounting Standards Board Statement No. 114, "Accounting by Creditors for Impairment of a Loan" (Statement No. 114) requires certain loan impairments to be measured using a present value of expected cash flows method. S&T implemented Statement No. 114 in the first quarter of 1995. Statement No. 114 had no effects on S&T's financial position or results of operations.



NOTE D--FINANCIAL INSTRUMENTS

S&T, in the normal course of business, commits to extend credit and issue standby letters of credit. The obligations are not recorded in S&T's financial statements. Loan commitments and standby letters of credit are subject to normal credit underwriting policies and procedures and generally require collateral based upon management's evaluation of each customer's financial condition and ability to satisfy completely the terms of the agreement. S&T's exposure to credit loss in the event the customer does not satisify the terms of agreement equals the notional amount of the obligation less the value of any collateral. Unfunded loan commitments totaled $154,131,000 and obligations under standby letters of credit totaled $49,840,000 at June 30, 1995.

At June 30, 1995, S&T had marketable equity securities totaling $778,750 at amortized cost and $1,125,000 at estimated market value, that were subject to covered call option contracts. The purpose of these contracts was to generate fee income for S&T.

NOTE E - LITIGATION

S&T, in the normal course of business, is subject to various legal proceedings in which claims for monetary damages are asserted. No material losses are anticipated by management as a result of these legal proceedings.



The following discussion and analysis is presented so that shareholders may review in further detail the financial condition and results of operations of S&T Bancorp, Inc. and subsidiaries (S&T). This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the selected financial data presented elsewhere in this report.

Financial Condition

Total assets at June 30, 1995 were $1.3 billion, a 3% increase from December 31, 1994. Total assets averaged $1.3 billion in the first six months of 1995, a $66.3 million increase from the 1994 full year average. Average loans increased $91.8 million in the first six months of 1995 compared to the average loans for the 1994 full year, funded primarily by a $23.7 million decrease in average securities, a $54.1 million increase in average borrowings and average retained earnings increases of $7.8 million. Average cash and due from banks, other assets and deposits did not change significantly from the prior full year average.

Lending Activity

Total loans at June 30, 1995 were $947.1 million, a 3% or $22.7 million increase from December 31, 1994. Excluding the effects from the sale of the student loan portfolio and participation of several commercial loans, total loans would have increased $57.7 million, or 6%. Changes in the composition of the loan portfolio during 1995 included increases of $28.0 million of commercial loans, $25.2 million of residential mortgages and $4.5 million of installment loans,offset by the $11.2 million sale of the student loan portfolio and $23.5 million from commercial loan participations. Average loans increased $91.8 million, or 11% to $936.1 million for the six months ended June 30, 1995 from the 1994 full year average.

Most of the increase in the commercial category are loans secured by real estate. Although real estate loans can be an area of higher risk, management believes these risks are mitigated by limiting the percentage amount of portfolio composition, a rigorous underwriting review by loan administration and the fact that many of the commercial real estate loans are owner-occupied and/or seasoned properties that were refinanced from other banks.

Residential mortgage lending continued to be a strategic area of focus during the second quarter of 1995. Management believes that if a downturn in the



local residential real estate market occurs, the impact of declining values on the real estate loan portfolio will be negligible because of S&T's conservative mortgage lending policies which generally require a maximum term of twenty years for fixed rate mortgages, and private mortgage insurance for loans with less than a 20% down payment. At June 30, 1995 the residential mortgage portfolio had a 34% composition of adjustable rate mortgages.

Installment loans continue to benefit from the restructuring and refocus of the indirect lending function as part of a 1994 strategic initiative. Direct installment loan activity was essentially flat for the first six months of 1995 as consumers continued to favor home equity and mortgage refinancing because of the tax deductibility of interest on these products.

The bulk of the student loan portfolio was sold in the first quarter of 1995 because newly issued government regulations and restrictions significantly reduced much of the profit potential associated with the product. S&T began to expand the participation of select commercial loans during the second quarter of 1995. These participation's will allow S&T to continue building a servicing portfolio which will generate future fee income, and to diversify the credit risk of the commercial loan portfolio.

Security Activity

Average securities decreased $23.7 million in the first six months of 1995 compared to the 1994 full year average. Some maturing investment securities were not replaced during the first six months of 1995 in order to fund loan growth that typically provides higher yields and the potential of developing other banking product relationships. The change in composition of the average investment portfolio included a $19.3 million decrease in average taxable securities and a $4.4 million decrease in tax-exempt state and municipal securities. The decrease in average taxable investment securities was principally comprised of $40.7 million in U.S. Treasury securities, $1.2 million in collateralized mortgage obligations (CMO's) and $0.5 million in corporate securities. Offsetting these decreases were average increases of $18.8 million in U.S. government agency securities, $2.0 million in corporate stock and $2.2 million in Federal Home Loan Bank (FHLB) capital stock.

Equity purchases of preferred and common stocks were made in order to take advantage of the higher yields and the dividends received deduction for corporations;



the FHLB stock is a membership and borrowing requirement. The equities portfolio is currently yielding 10.6% on a fully taxable equivalent (FTE) basis and has $20.3 million of unrealized gains net of nominal unrealized loss.

Allowance for Loan Losses

The allowance for loan losses increased to $15.1 million or 1.59% of total loans at June 30, 1995 as compared to $14.3 million or 1.55% of total loans at December 31, 1994. The adequacy of the allowance for loan losses is determined by management through evaluation of the loss potential on individual nonperforming, delinquent and high-dollar loans, review of economic conditions and business trends, historical loss experience, growth and composition of the loan portfolio as well as other relevant factors. The balance of nonperforming loans, which includes nonaccrual loans past due 90 days or more, at June 30, 1995 was $2.2 million or 0.23% of total loans. This compares to nonperforming loans of $1.9 million or 0.21% of total loans at December 31, 1994. Asset quality is the major corporate objective at S&T and management believes that the total allowance for loan losses is adequate to absorb probable loan losses.

Deposits

Average total deposits increased slightly by $4.1 million for the six months ended June 30, 1995 compared to the 1994 average. Changes in the average deposit mix include a $20.6 million increase in time deposits and $0.7 million in demand deposits, offset by a $17.2 million decrease in NOW's, money market accounts and savings accounts compared to the annual 1994 average. These changes can be partially explained by customer preferences for higher-yielding, longer-term certificates of deposits in a rising interest rate environment and the withdrawal of some temporary corporate funds deposited in December 1994.

Special rate deposits of $100 thousand and over were 6% of total deposits at June 30, 1995 and December 31, 1994 and primarily represent deposit relationships with local customers in our market area. Management believes that the S&T deposit base is stable and that S&T has the ability to attract new deposits, mitigating a funding dependency on volatile liabilities. In addition, S&T has the ability to access both public and private markets to raise long-term funding if necessary. During the second quarter of 1995, S&T issued $20 million of retail certificates of deposits through two brokerage firms, further broadening the availability of reasonably priced funding sources.



Borrowings

Average borrowings increased $54.1 million for the six months ended June 30, 1995 compared to the 1994 annual average and were comprised of retail repurchase agreements (REPO's), wholesale REPO's, federal funds purchased and long-term borrowings. During the first six months of 1995, S&T obtained two long-term borrowings of $25.0 million at an adjustable rate and $4.7 million at a fixed rate with the FHLB in order to mitigate the funding risks associated with short-term borrowings. S&T defines repurchase agreements with its local, retail customers as retail REPOS; wholesale REPOS are those transacted with other banks and brokerage firms with terms normally ranging from 1 to 14 days.

The average balance in retail REPOS increased approximately $25.4 million for the first six months of 1995 compared to the full year 1994 average. The customer preference for this type of account is due to the slightly higher rates that S&T could make available because of the lack of FDIC insurance premiums. Average wholesale REPOs, long-term borrowings and federal funds purchased averaged $139.7 million for the first six months of 1995, an increase of $29.0 million over the 1994 average balances. This increase is primarily related to the funding requirements of an increase in loan demand, and to take advantage of the relatively low costs as compared to attracting new deposits locally.

Capital Resources

Shareholders' equity increased $7.8 million at June 30,1995, compared to December 31, 1994. Net income was $10.0 million for the six months ended June 30, 1995 and dividends paid to shareholders were $3.9 million for the six months ended June 30, 1995. During the first six months of 1995, S&T paid 39% of 1995 net income in dividends, equating to an annual dividend rate of $0.72 per share.

The book value of S&T's common stock increased 8% from $12.57 at December 31, 1994 to $13.57 at June 30, 1995 due to an increase in shareholders' equity from retained earnings and the positive effect of Financial Accounting Standards Board Statement No. 115, Statement on Accounting for Certain Investments in Debt and Equity Securities." The market price of S&T's common stock increased 15.9% to $23.75 per share at June 30, 1995 as compared to $20.50 per share at December 31, 1994.

S&T continues to maintain a strong capital position



with a leverage ratio of 10.4% as compared to the 1993 minimum regulatory guideline of 3.0%. S&T's risk-based capital Tier I and Total ratios were 13.1% and 14.3% respectively, at June 30, 1995, which places S&T well above the Federal Reserve Board's risk-based capital guidelines of 4.0% and 8.0% for Tier I and Total, respectively.

RESULTS OF OPERATIONS

Six months ended June 30, 1995 compared to
Six months ended June 30, 1994

Net Income

Net income increased to $10.0 million or $0.89 per share in the first six months of 1995 from $9.1 million or $0.80 per share for the same period of 1994. The significant improvement during the first six months of 1995 was primarily the result of higher net interest income, partially offset by higher provision and operating expense.

Net Interest Income

On a fully taxable equivalent basis, net interest income increased $2.3 million or 8% in the first six months of 1995 compared to the same period of 1994. The net yield on interest-earning assets improved slightly by 4 basis points to 4.79%. Net interest income was also positively affected by a $68.1 million or 6% increase in average earning assets.

Active management by the Asset Liability Committee (ALCO) during a period of substantial and unprecedented rate changes in 1994 enabled S&T to maintain consistent spreads. The earning asset increase is primarily attributable to a $109 million or 13% loan growth over the past 12 months. New market penetration in the Allegheny and Westmoreland counties has been particularly successful.

Provision for Loan Losses

The provision for loan losses increased to $1.5 million for the first six months of 1995 compared to $1.3 million in the same period of 1994. The increase was the result of management's assessment of economic conditions, credit quality statistics, loan administration effectiveness and other factors that would have an impact on future probable losses in the loan portfolio. Net loan charge-offs totaled $0.8 million for the first six months of 1995 and 1994. S&T's allowance for loan losses at June 30, 1995 was $15.1 million, or 1.59% of total loans compared to



$14.0 million, or 1.67% of total loans at June 30, 1994. Nonperforming loans to total loans at June 30, 1995 was 0.23% which is unchanged from the previous year period.

Noninterest Income

Noninterest income increased 4% in the first six months of 1995 compared to the same period of 1994. Increases included $0.2 million or 14% in trust income and $0.2 million or 16% in service charges and fees, offset by a $0.1 million or 6% decrease in other income.

The increase in trust income was attributable to a bank wide incentive program and expanded marketing efforts designed to develop new trust business. The increase in service charges on deposit accounts was primarily the result of management's continual effort to implement reasonable fees for services performed and to manage closely the collection of these fees.

The decrease in other income was attributable to decreased performance for the relatively new fee based businesses of mutual funds and annuities sales in the first six months of 1995.

Security/nonrecurring gains increased $0.1 million in the first six months of 1995 as compared to the same period of 1994. Security losses were taken on available for sale securities in the first six months of 1995 in order to reinvest in higher-yielding investment securities. These losses were almost offset by gains from the sale of various equity securities that were made in order to take advantage of market opportunities. Included in this category is a $219,000 gain from the aforementioned sale of student loans.

Noninterest Expense

Noninterest expense increased $0.8 million or 5% at June 30, 1995 compared to June 30, 1994. The increase is primarily attributable to employment costs which increased 4% or $0.3 million in the first six months of 1995 compared to the same period of 1994. The increase resulted from normal merit increases and higher incentive payouts relative to commercial loan volume, offset by higher deferral of loan origination costs, also resulting from commercial loan activity. Average full-time equivalent staff increased from 546 to 558 as compared to the same period of 1994.



Federal Income Taxes

Federal income tax expense increased $0.6 million or 18% at June 30, 1995 as compared to June 30, 1994 as a result of higher pre-tax income in 1995.  The first quarter effective tax rate of 27% was below the 35% statutory tax rate due to the tax benefits resulting from tax exempt interest, excludable dividend income and low income housing tax credits (LIHTC).

Three months ended June 30, 1995 compared to
Three months ended June 30, 1994

Net Income

Net income was $5.1 million or $0.45 per share for the second quarter of 1995 compared to $4.6 million or $0.41 per share in the second quarter of 1994, a 10% improvement.

Net Interest Income

Net interest income for the second quarter of 1995, increased $1.0 million from the second quarter of 1994.  This improvement in net interest income resulted from a higher level of earning assets while maintaining consistent spreads.

Average earning assets increased by $89.2 million as compared to the second quarter of 1994, primarily as a result of a $113.1 million or 14% increase in average loans.  Funding for this loan growth came primarily from the maturities of securities, as well as increased borrowings that provided additional balance sheet leveraging.

Net interest margin on fully taxable equivalent basis was 4.78% for the second quarter of 1995, as compared to 4.77% for the same period of 1994.

Provision for Loan Losses

The provision for loan losses was $0.8 million in the second quarter of 1995 compared to $0.7 million in the same period of 1994.  The increase was the result of management's assessment of economic conditions, credit quality statistics, loan administration effectiveness and other factors that would have an impact on probable losses in the loan portfolio.

Noninterest Income

Noninterest income increased 7% or $0.1 million to $2.0 million for the second quarter of 1995 compared to the same period of 1994.  The increase is primarily attributable to an increase in service charges on deposit accounts, trust income and other income, offset by a slight decrease in security gains.

The $0.1 million increase in service charges and fees on deposit accounts are attributable to pricing and product changes for fee based services. Management continually reviews pricing, product enhancements, collections and market conditions in order to effectively increase service revenues. Trust income increased $0.1 million for the second quarter of 1995 compared to the same period of 1994. The increase was attributable to a bank wide incentive program and expanded marketing efforts to develop new trust business. The $0.1 million increase in other noninterest income is primarily attributable to increased performance in credit insurance sales and letters of credit fees.

Noninterest Expense

Noninterest expense increased 7% or $0.6 million at June 30, 1995 as compared to the same period of 1994. The increase is primarily attributable to increases in employment costs, occupancy, data processing and other noninterest expenses.

Employment cost increased 3% or $0.1 million in the second quarter of 1995 compared to the second quarter of 1994. The increase resulted from normal merit increases, partially offset by a higher deferral of loan origination costs resulting from commercial loan activity.

Occupancy, furniture and equipment expenses increased 4% in the second quarter of 1995 compared to the same period of 1994. The increase is a result of recent renovations, higher utility costs and the addition of a new branch office located in a Wal*Mart Super Center.

Other expenses increased 18% or $0.3 million in the second quarter of 1995 as compared to the same period of 1994. The increase is attributable to higher costs for supplies, loan volume related expenses and partnership losses from LIHTC investments. The LIHTC partnership losses are offset by tax credits.

Federal income Taxes

S&T recognized federal income tax expense of $1.8 million for the quarter ending June 30, 1995 and $1.7 million for the quarter ending June 30, 1994. The second quarter effective tax rate of 27% was below the 35% statutory tax rate due to the tax benefits resulting from tax exempt interest, excludable dividend income and LIHTC.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

SIGNATURES

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

S&T Bancorp, Inc.
(REGISTRANT)

/s/ Robert E. Rout
Robert E. Rout
Principal Accounting Officer

Date: July 31, 1995

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This schedule contains summary financial information extracted
from SEC form 10-Q and is qualified in its entirety by
reference to such financial statements.
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