

S&T BANCORP INC  
Form 10-Q  
November 07, 2006  
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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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## FORM 10-Q

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*(Mark One)*

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

For the quarterly period ended September 30, 2006

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

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## S&T BANCORP, INC.

(Exact name of registrant as specified in its charter)

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Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)

800 Philadelphia Street, Indiana, PA  
(Address of principal executive offices)

800-325-2265

(Registrant's telephone number, including area code)

25-1434426  
(IRS Employer

Identification No.)

15701  
(zip code)

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**Not Applicable**

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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

Indicated 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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court. Yes  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 - 25,319,874 shares as of October 18, 2006

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**Table of Contents****S&T BANCORP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | September 30, 2006  | December 31, 2005   |
|---|---------------------|---------------------|
| <i>(dollars in thousands, except share and per share data)</i>  | <i>(unaudited)</i>  | <i>(Note A)</i>     |
| <b>ASSETS</b>   |                     |                     |
| Cash and due from banks   | \$ 58,938           | \$ 56,189           |
| Securities available for sale   | 419,178             | 481,257             |
| Other investments   | 12,312              | 13,318              |
| Loans held for sale   | 957                 | 1,580               |
| Portfolio loans, net of allowance for loan losses of \$32,717 at September 30, 2006 and \$36,572 at December 31, 2005       | 2,583,580           | 2,453,354           |
| Premises and equipment, net   | 33,721              | 29,123              |
| Goodwill  | 49,955              | 49,073              |
| Other intangibles, net  | 5,178               | 5,478               |
| Bank owned life insurance   | 33,944              | 33,107              |
| Other assets  | 80,947              | 72,500              |
| <b>Total Assets</b>   | <b>\$ 3,278,710</b> | <b>\$ 3,194,979</b> |
| <b>LIABILITIES</b>  |                     |                     |
| Deposits:   |                     |                     |
| Noninterest-bearing   | \$ 429,547          | \$ 435,672          |
| Interest-bearing  | 147,393             | 155,191             |
| Money market  | 168,587             | 242,228             |
| Savings   | 885,273             | 652,685             |
| Time deposits   | 905,292             | 933,108             |
| <b>Total Deposits</b>   | <b>2,536,092</b>    | <b>2,418,884</b>    |
| Securities sold under repurchase agreements and federal funds purchased   | 102,351             | 137,829             |
| Short-term borrowings   | 60,000              | 150,000             |
| Long-term borrowings  | 161,217             | 83,776              |
| Junior subordinated debt securities   | 25,000              |                     |
| Other liabilities   | 59,039              | 52,069              |
| <b>Total Liabilities</b>  | <b>2,943,699</b>    | <b>2,842,558</b>    |
| <b>SHAREHOLDERS EQUITY</b>  |                     |                     |
| Preferred stock, without par value, 10,000,000 shares authorized and none outstanding                                       |                     |                     |
| Common stock (\$2.50 par value) Authorized - 50,000,000 shares in 2006 and 2005 Issued - 29,714,038 shares in 2006 and 2005 | 74,285              | 74,285              |
| Additional paid-in capital  | 26,596              | 26,120              |
| Retained earnings   | 343,839             | 326,158             |
| Accumulated other comprehensive income  | 6,971               | 9,172               |
| Treasury stock (4,410,264 shares at September 30, 2006 and 3,443,308 shares at December 31, 2005, at cost)                  | (116,680)           | (83,314)            |
| <b>Total Shareholders Equity</b>  | <b>335,011</b>      | <b>352,421</b>      |
| <b>Total Liabilities and Shareholders Equity</b>  | <b>\$ 3,278,710</b> | <b>\$ 3,194,979</b> |

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See notes to Condensed Consolidated Financial Statements

**Table of Contents****S&T BANCORP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

|   | Three Months<br>Ended |               | Nine Months Ended     |                |
|---|-----------------------|---------------|-----------------------|----------------|
|   | September 30,<br>2006 | 2005          | September 30,<br>2006 | 2005           |
| <i>(dollars and share data in thousands, except per share data)</i>     |                       |               |                       |                |
| <b>INTEREST INCOME</b>  |                       |               |                       |                |
| Loans, including fees   | \$ 48,332             | \$ 38,832     | \$ 137,245            | \$ 109,945     |
| Investment securities:  |                       |               |                       |                |
| Taxable   | 3,535                 | 3,995         | 11,036                | 12,218         |
| Tax-exempt  | 675                   | 654           | 2,031                 | 1,835          |
| Dividends   | 486                   | 554           | 1,557                 | 1,648          |
| <b>Total Interest Income</b>  | <b>53,028</b>         | <b>44,035</b> | <b>151,869</b>        | <b>125,646</b> |
| <b>INTEREST EXPENSE</b>   |                       |               |                       |                |
| Deposits  | 19,268                | 11,768        | 52,924                | 30,813         |
| Securities sold under repurchase agreements and federal funds purchased | 1,272                 | 1,137         | 3,982                 | 2,452          |
| Short-term borrowings   | 1,170                 | 1,721         | 4,122                 | 5,640          |
| Long-term borrowings and capital securities                             | 2,476                 | 969           | 5,798                 | 2,618          |
| <b>Total Interest Expense</b>   | <b>24,186</b>         | <b>15,595</b> | <b>66,826</b>         | <b>41,523</b>  |
| <b>NET INTEREST INCOME</b>  | <b>28,842</b>         | <b>28,440</b> | <b>85,043</b>         | <b>84,123</b>  |
| Provision for loan losses   | 1,352                 | 3,000         | 8,552                 | 3,500          |
| <b>Net Interest Income After Provision for Loan Losses</b>              | <b>27,490</b>         | <b>25,440</b> | <b>76,491</b>         | <b>80,623</b>  |
| <b>NONINTEREST INCOME</b>   |                       |               |                       |                |
| Security gains, net   | 1,210                 | 1,300         | 4,263                 | 3,769          |
| Service charges on deposit accounts                                     | 2,666                 | 2,504         | 7,775                 | 7,023          |
| Wealth management fees  | 1,854                 | 1,760         | 6,135                 | 5,234          |
| Letter of credit fees   | 479                   | 430           | 1,740                 | 1,551          |
| Insurance fees  | 1,759                 | 1,403         | 5,069                 | 4,193          |
| Mortgage banking  | 194                   | 278           | 548                   | 1,118          |
| Other   | 1,759                 | 1,732         | 5,209                 | 4,796          |
| <b>Total Noninterest Income</b>   | <b>9,921</b>          | <b>9,407</b>  | <b>30,739</b>         | <b>27,684</b>  |
| <b>NONINTEREST EXPENSE</b>  |                       |               |                       |                |
| Salaries and employee benefits  | 8,618                 | 8,754         | 27,134                | 25,992         |
| Occupancy, net  | 1,265                 | 1,163         | 3,853                 | 3,626          |
| Furniture and equipment   | 929                   | 729           | 2,390                 | 2,495          |
| Other taxes   | 647                   | 584           | 2,187                 | 1,974          |
| Data processing   | 1,186                 | 1,046         | 3,599                 | 3,172          |
| Marketing   | 615                   | 571           | 1,859                 | 1,742          |
| Amortization of intangibles   | 81                    | (47)          | 244                   | 134            |
| FDIC assessment   | 77                    | 71            | 227                   | 220            |
| Other   | 2,921                 | 1,791         | 9,059                 | 6,871          |
| <b>Total Noninterest Expense</b>  | <b>16,339</b>         | <b>14,662</b> | <b>50,552</b>         | <b>46,226</b>  |

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|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| <b>Income Before Taxes</b>                               | <b>21,072</b>    | <b>20,185</b>    | <b>56,678</b>    | <b>62,081</b>    |
| Income Taxes   | 6,408            | 5,818            | 16,540           | 18,400           |
| <b>Net Income</b>  | <b>\$ 14,664</b> | <b>\$ 14,367</b> | <b>\$ 40,138</b> | <b>\$ 43,681</b> |
| <b>Earnings per common share:</b>                        |                  |                  |                  |                  |
| Net Income - Basic                                       | \$ 0.57          | \$ 0.55          | \$ 1.55          | \$ 1.65          |
| Net Income - Diluted                                     | 0.57             | 0.54             | 1.54             | 1.63             |
| Dividends declared per common share                      | 0.29             | 0.28             | 0.87             | 0.84             |
| Average Common Shares Outstanding - Basic                | 25,604           | 26,319           | 25,878           | 26,443           |
| Average Common Shares Outstanding - Diluted              | 25,754           | 26,618           | 26,078           | 26,737           |
| See notes to Condensed Consolidated Financial Statements |                  |                  |                  |                  |

**Table of Contents****S&T BANCORP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY****(Unaudited)**

| <i>(dollars in thousands, except per share data)</i>  | Comprehensive<br>Income | Common<br>Stock  | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury<br>Stock  | Total             |
|---|-------------------------|------------------|----------------------------------|----------------------|---|--------------------|-------------------|
| <b>Balance at January 1, 2005</b>   |                         | <b>\$ 74,285</b> | <b>\$ 24,079</b>                 | <b>\$ 297,690</b>    | <b>\$ 20,875</b>                                | <b>\$ (67,800)</b> | <b>\$ 349,129</b> |
| Net income for nine months ended<br>September 30, 2005  | \$ 43,681               |                  |                                  | 43,681               |   |                    | 43,681            |
| Other comprehensive income, net of tax<br>expense of \$4,722:   |                         |                  |                                  |                      |   |                    |                   |
| Unrealized losses on securities of (\$6,229) net<br>of reclassification adjustment for gains<br>included in net income of \$2,450 | (8,769)                 |                  |                                  |                      | (8,769)   |                    | (8,769)           |
| <b>Comprehensive Income</b>   | <b>\$ 34,912</b>        |                  |                                  |                      |   |                    |                   |
| Cash dividends declared (\$0.84 per share)  |                         |                  |                                  | (22,164)             |   |                    | (22,164)          |
| Treasury stock acquired (522,500 shares)  |                         |                  |                                  |                      |   | (18,297)           | (18,297)          |
| Treasury stock issued for stock options<br>exercised (286,200 shares)   |                         |                  |                                  |                      |   |                    |                   |