



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

S&T Bancorp, Inc.

Person to be contacted regarding this report:	Mark Kochvar CFO
CPP Funds Received:	\$108,676,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	1/16/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	1071397
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	11124
City:	Indiana
State:	Pennsylvania

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Overall, loans decreased in 2009 by \$170 million due to the recession and financial crisis. With the stability provided by the CPP funds, S&T was able to continue loan originations and commitments in excess of \$942 million in 2009.
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<input checked="" type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>Over \$204 million of residential mortgages were originated plus an additional \$190 million of home equity and other consumer loans and commitments. Commercial originations and commitments of \$548 million includes both C&I and CRE loans.</p>
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>Due to decreased loan demand in 2009, S&T deployed \$64 million of the originally anticipated \$100 million into securities, primarily agency bonds. The amount was reduced due to interest rate risk concerns and to maintain maximum liquidity.</p>
<input type="checkbox"/>	<p>Make other investments</p>	<p>None.</p>
<input type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>None. The CPP funds did not influence the amount of S&T's reserves for non-performing assets in 2009.</p>

<input checked="" type="checkbox"/> Reduce borrowings	<p>The CPP funds were initially used to pay down borrowings at the FHLB of Pittsburgh. As securities were purchased as described in #3, borrowings increased.</p>
<input type="checkbox"/> Increase charge-offs	<p>None. The CPP funds did not influence the amount of charge-offs taken by S&T in 2009</p>
<input type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	<p>None. No acquisitions took place in 2009.</p>
<input checked="" type="checkbox"/> Held as non-leveraged increase to total capital	<p>To the extent that the full amount of funds were not deployed into securities and loan balances decreased, the remaining amount of funds could be considered to be non-leveraged capital increases.</p>

What actions were you able to avoid because of the capital infusion of CPP funds?

The Bank's capital infusion of CPP funds was a stabilizing influence in a time of great financial insecurity. The presence of the additional capital and the implied support of the U.S. Government gave S&T the confidence to continue with business as close to usual as was possible. S&T did not alter its consumer lending guidelines nor did S&T change its consumer loan pricing methodology during 2009. On the commercial side, economic stress in certain out-of-state markets and particularly hard hit industries did require S&T to take a more careful look at new credits. S&T was able however to continue to serve the credit needs of the vast majority of its existing relationships. Credit extensions and loan commitments to creditworthy borrowers continued to be made. S&T was able to avoid selling and/or participating existing loans and did not exercise any demand features of loans in order to maintain adequate capital.

The stabilizing influence of the CPP funds also had a flow-through impact on S&T's deposit base, by instilling confidence and improving retention in a time of uncertainty. S&T was able to avoid even the hint of a liquidity crisis. Depositors remained confident in S&T and kept funds on deposit. S&T did not overpay for deposits, which would have had negative implications for earnings and capital.

Finally, the infusion of CPP funds eliminated the need for S&T to raise capital in a period of depressed prices and low demand for bank stocks.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The impact of the financial crisis on S&T's local markets has been meaningful, but by no means as severe as some markets. Housing prices in S&T's market did not materially increase over the previous few years, so there was far less need for sub-prime lending products that are considered to have been part of the problem. Nevertheless, unemployment is elevated and many local customers are struggling. In order to provide targeted assistance to residential homeowners and potential purchasers, S&T initiated a number of special temporary programs in 2009, shortly after the CPP infusion.

1. S&T initiated a loan modification program for homeowners experiencing financial hardship. The PAMP, or Portfolio Affordable Modification Program was modeled after the government's HAMP. The PAMP targeted residential mortgage loans held by S&T. The loan modification program was intended to provide eligible borrowers who are experiencing financial hardship with affordable monthly payments for 3 years.
2. S&T instituted a voluntary 90 day foreclosure moratorium for residential mortgages on February 27, 2009.
3. S&T created a special \$20 million residential construction lending program that included a rate reduction during the first 2 years of the loan. This program was recently expanded with higher rate reductions during the first 2 years of the loan.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Throughout 2009, S&T was able to continue lending to qualified borrowers with the support provided by the infusion of CPP funds. S&T has continued to be an active consumer lender in 2009. During the year, S&T carried out 5 consumer loan promotions which typically involved reduced pricing and/or fees. Products promoted included fixed-rate home equity loans and variable-rate home equity lines of credit. The CPP funds have had a significant impact on commercial customer retention. Anecdotally, many customers expressed relief that S&T had participated in the CPP, which helped assure these customers that S&T would remain a viable financial institution. Many of S&T's traditional commercial business segments, especially in commercial real estate were hard hit by the recession and decline in property values. Thus, the number and quality of new borrowers declined dramatically in 2009. There have, however, been bright spots within commercial lending. For example, S&T has seen new floor plan opportunities and has booked new car floor plan loans for dealers who were asked to find a new lender by their previous provider. S&T also has continued to be an active participant in the IRC Sec. 42 affordable housing tax credit program providing funds through limited partnerships for new construction and rehabilitation. During 2009, S&T was involved in 6 projects in its local markets and invested a total of \$6.8 million. S&T embarked on a revitalization of the strategic planning process. With the capital cushion provided by the CPP funds, S&T was able to confidently map out a new multi-year strategy, involving a new business model centered around the customer, that will enable us to grow in virtually all loan categories. One specific aspect of this effort is the re-engineering of S&T's small business loan area, which handles credit relationships up to \$500,000, to streamline the approval process and provide improved turnaround time and customer service.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.