UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(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, 2020

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)			**(IRS Employer Identification No.)**
800 Philadelphia Street	**Indiana**	**PA**	**15701**
(Address of principal executive offices)			**(zip code)**

800-325-2265

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $2.50 par value	STBA	The NASDAQ Stock Market LLC

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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 - 39,310,734 shares as of October 31, 2020

S&T BANCORP, INC. AND SUBSIDIARIES

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S&T BANCORP, INC. AND SUBSIDIARIES

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S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(dollars in thousands, except per share data)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Cash and due from banks, including interest-bearing deposits of $235,953 and $124,491 at September 30, 2020 and December 31, 2019	$ 308,489	$ 197,823
Securities, at fair value	718,169	784,283
Loans held for sale	16,724	5,256
Portfolio loans, net of unearned income	7,394,868	7,137,152
Allowance for credit losses on loans	(120,998)	(62,224)
Portfolio loans, net	7,273,870	7,074,928
Bank owned life insurance	81,873	80,473
Premises and equipment, net	56,254	56,940
Federal Home Loan Bank and other restricted stock, at cost	15,777	22,977
Goodwill	373,417	371,621
Other intangible assets, net	9,265	10,919
Other assets	336,734	159,429
Total Assets	**$ 9,190,572**	**$ 8,764,649**
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 2,232,706	$ 1,698,082
Interest-bearing demand	982,956	962,331
Money market	2,033,585	1,949,811
Savings	938,475	830,919
Certificates of deposit	1,446,096	1,595,433
Total Deposits	**7,633,818**	**7,036,576**
Securities sold under repurchase agreements	42,706	19,888
Short-term borrowings	83,000	281,319
Long-term borrowings	49,076	50,868
Junior subordinated debt securities	64,068	64,277
Other liabilities	175,789	119,723
Total Liabilities	**8,048,457**	**7,572,651**
SHAREHOLDERS' EQUITY		
Common stock ($2.50 par value) Authorized—50,000,000 shares Issued—41,449,444 shares at September 30, 2020 and December 31, 2019 Outstanding— 39,251,638 shares at September 30, 2020 and 39,560,304 shares at December 31, 2019	103,623	103,623
Additional paid-in capital	400,789	399,944
Retained earnings	698,351	761,083
Accumulated other comprehensive income (loss)	9,453	(11,670)
Treasury stock (2,197,806 shares at September 30, 2020 and 1,889,140 shares at December 31, 2019, at cost)	(70,101)	(60,982)
Total Shareholders' Equity	**1,142,115**	**1,191,998**
Total Liabilities and Shareholders' Equity	**$ 9,190,572**	**$ 8,764,649**

See Notes to Consolidated Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands, except per share data)	**2020**	**2019**	**2020**	**2019**
INTEREST AND DIVIDEND INCOME				
Loans, including fees	$ 72,263	$ 75,080	$ 229,812	$ 223,200
Investment Securities:				
Taxable	3,473	3,552	11,547	10,989
Tax-exempt	885	787	2,646	2,466
Dividends	227	394	911	1,373
Total Interest and Dividend Income	**76,848**	**79,813**	**244,916**	**238,028**
INTEREST EXPENSE				
Deposits	6,626	16,207	31,191	47,243
Borrowings and junior subordinated debt securities	946	2,410	4,265	8,406
Total Interest Expense	**7,572**	**18,617**	**35,456**	**55,649**
NET INTEREST INCOME	**69,276**	**61,196**	**209,460**	**182,379**
Provision for credit losses	17,485	4,913	124,294	12,767
Net Interest Income After Provision for Credit Losses	**51,791**	**56,283**	**85,166**	**169,612**
NONINTEREST INCOME				
Net gain on sale of securities	—	—	142	—
Debit and credit card	4,171	3,475	11,264	9,951
Mortgage banking	3,964	594	7,823	1,726
Service charges on deposit accounts	2,820	3,412	8,720	9,777
Wealth management	2,522	2,101	7,471	6,210
Commercial loan swap income	499	1,464	3,928	3,147
Other	2,507	2,017	4,762	6,515
Total Noninterest Income	**16,483**	**13,063**	**44,110**	**37,326**
NONINTEREST EXPENSE				
Salaries and employee benefits	24,571	19,936	67,326	61,135
Data processing and information technology	4,218	3,681	11,671	10,327
Net occupancy	3,441	2,898	10,643	8,883
Furniture, equipment and software	2,440	2,090	7,965	6,621
Professional services and legal	1,911	1,054	4,890	3,382
FDIC insurance	1,900	(675)	3,718	536
Marketing	1,793	1,062	3,883	3,514
Other taxes	1,612	1,540	4,816	4,182
Merger related expenses	—	552	2,342	1,171
Other	6,360	5,529	20,861	17,187
Total Noninterest Expense	**48,246**	**37,667**	**138,115**	**116,938**
Income (Loss) Before Taxes	**20,028**	**31,679**	**(8,839)**	**90,000**
Income tax expense (benefit)	3,323	4,743	(5,703)	14,035
Net Income (Loss)	**$ 16,705**	**$ 26,936**	**$ (3,136)**	**$ 75,965**
Earnings (loss) per share—basic	$ 0.43	$ 0.79	$ (0.08)	$ 2.22
Earnings (loss) per share—diluted	$ 0.43	$ 0.79	$ (0.08)	$ 2.21
Dividends declared per share	$ 0.28	$ 0.27	$ 0.84	$ 0.81
Comprehensive Income	**$ 16,926**	**$ 29,142**	**$ 17,967**	**$ 91,759**

See Notes to Consolidated Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	For the three months ended September 30, 2019					
(dollars in thousands, except share and per share data)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss) Income**	**Treasury Stock**	**Total**
Balance at June 30, 2019	**$ 90,326**	**$ 211,325**	**$ 730,577**	**$ (9,519)**	**$ (57,756)**	**$ 964,953**
Net income for the three months ended September 30, 2019	—	—	26,936	—	—	26,936
Other comprehensive income, net of tax	—	—	—	2,206	—	2,206
Cash dividends declared ($0.27 per share)	—	—	(9,239)	—	—	(9,239)
Treasury stock issued for restricted stock awards (954 shares, net of forfeitures of 1,705 shares)	—	—	6	—	(30)	(24)
Common stock issuance cost	—	(125)	—	—	—	(125)
Repurchase of common stock (84,868 shares)	—	—	—	—	(3,100)	(3,100)
Recognition of restricted stock compensation expense	—	840	—	—	—	840
Balance at September 30, 2019	**$ 90,326**	**$ 212,040**	**$ 748,280**	**$ (7,313)**	**$ (60,886)**	**$ 982,447**

	For the three months ended September 30, 2020					
(dollars in thousands, except share and per share data)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Treasury Stock**	**Total**
Balance at June 30, 2020	**$ 103,623**	**$ 400,417**	**$ 692,240**	**$ 9,232**	**$ (69,735)**	**$ 1,135,777**
Net income for the three months ended September 30, 2020	—	—	16,705	—	—	16,705
Other comprehensive income, net of tax	—	—	—	221	—	221
Cash dividends declared ($0.28 per share)	—	—	(10,960)	—	—	(10,960)
Forfeitures of restricted stock awards (11,822 shares)	—	—	366	—	(366)	—
Repurchase of S&T Stock (0 shares)	—	—	—	—	—	—
Recognition of restricted stock compensation expense	—	372	—	—	—	372
Balance at September 30, 2020	**$ 103,623**	**$ 400,789**	**$ 698,351**	**$ 9,453**	**$ (70,101)**	**$ 1,142,115**

S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	For the nine months ended September 30, 2019					
(dollars in thousands, except share and per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Balance at January 1, 2019	**$ 90,326**	**$ 210,345**	**$ 701,819**	**$ (23,107)**	**$ (43,622)**	**$ 935,761**
Net income for the nine months ended September 30, 2019	—	—	75,965	—	—	75,965
Other comprehensive income, net of tax	—	—	—	15,794	—	15,794
Impact of new lease standard	—	—	167	—	—	167
Cash dividends declared ($0.81 per share)	—	—	(27,798)	—	—	(27,798)
Treasury stock issued for restricted stock awards (84,010 shares, net of forfeitures of 52,457 shares)	—	—	(1,873)	—	958	(915)
Common stock issuance cost	—	(125)	—	—	—	(125)
Repurchase of common stock (470,708 shares)	—	—	—	—	(18,222)	(18,222)
Recognition of restricted stock compensation expense	—	1,820	—	—	—	1,820
Balance at September 30, 2019	**$ 90,326**	**$ 212,040**	**$ 748,280**	**$ (7,313)**	**$ (60,886)**	**$ 982,447**

	For the nine months ended September 30, 2020					
(dollars in thousands, except share and per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2020	**$ 103,623**	**$ 399,944**	**$ 761,083**	**$ (11,670)**	**$ (60,982)**	**$ 1,191,998**
Net loss for the nine months ended September 30, 2020	—	—	(3,136)	—	—	(3,136)
Other comprehensive income, net of tax	—	—	—	21,123	—	21,123
Adoption of accounting standard - credit losses	—	—	(22,590)	—	—	(22,590)
Cash dividends declared ($0.84 per share)	—	—	(32,972)	—	—	(32,972)
Treasury stock issued for restricted stock awards (147,034 shares, net of forfeitures of 44,270 shares)	—	—	(4,034)	—	3,440	(594)
Repurchase of common stock (411,430 shares)	—	—	—	—	(12,559)	(12,559)
Recognition of restricted stock compensation expense	—	845	—	—	—	845
Balance at September 30, 2020	**$ 103,623**	**$ 400,789**	**$ 698,351**	**$ 9,453**	**$ (70,101)**	**$ 1,142,115**

See Notes to Consolidated Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
(dollars in thousands)	**2020**	**2019**
OPERATING ACTIVITIES		
Net (loss) income	$ (3,136)	$ 75,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	124,294	12,767
Provision for unfunded loan commitments	—	303
Net depreciation, amortization and accretion	3,469	4,413
Net amortization of discounts and premiums on securities	3,199	2,470
Stock-based compensation expense	845	1,820
Gain on sale of securities	(142)	—
Gain on the sale of mortgage loans, net	(5,919)	(1,300)
Mortgage loans originated for sale	(278,741)	(72,054)
Proceeds from the sale of mortgage loans	272,735	67,354
Net change in:		
Interest receivable	(5,432)	(712)
Interest payable	(1,882)	(1,399)
Other assets	(170,288)	(31,570)
Other liabilities	57,996	34,737
Net Cash (Used in) Provided by Operating Activities	**(3,002)**	**92,794**
INVESTING ACTIVITIES		
Purchases of securities	(90,348)	(37,123)
Proceeds from maturities, prepayments and calls of securities	176,103	68,906
Proceeds from sales of securities	1,349	—
Net proceeds from sales of Federal Home Loan Bank stock	7,200	4,038
Net increase in loans	(350,884)	(263,169)
Proceeds from sale of loans not originated for resale	—	520
Purchases of premises and equipment	(4,356)	(4,054)
Proceeds from the sale of premises and equipment	15	44
Net Cash Used in Investing Activities	**(260,921)**	**(230,838)**
FINANCING ACTIVITIES		
Net increase in core deposits	746,580	394,439
Net decrease in certificates of deposit	(148,573)	(85,606)
Net increase (decrease) in securities sold under repurchase agreements	22,818	(4,458)
Net decrease in short-term borrowings	(198,319)	(100,000)
Repayments on long-term borrowings	(1,792)	(1,151)
Treasury shares issued-net	(594)	(915)
Common stock issuance costs	—	(125)
Cash dividends paid to common shareholders	(32,972)	(27,798)
Repurchase of common stock	(12,559)	(18,222)
Net Cash Provided by Financing Activities	**374,589**	**156,164**
Net increase in cash and cash equivalents	110,666	18,120
Cash and cash equivalents at beginning of period	197,823	155,489
Cash and Cash Equivalents at End of Period	**$ 308,489**	**$ 173,609**
Supplemental Disclosures		
Loans transferred to held for sale	$ —	$ 520
Leased right-of-use operating assets and lease liabilities	$ 91	$ 38,919
Interest paid	$ 37,437	$ 57,047
Income taxes paid, net of refunds	$ 6,210	$ 11,178
Transfers of loans to other real estate owned	$ 631	$ 492

See Notes to Consolidated Financial Statements

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Principles of Consolidation

The interim Consolidated Financial Statements include the accounts of S&T Bancorp, Inc., or S&T, and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Investments of 20 percent to 50 percent of the outstanding common stock of investees are accounted for using the equity method of accounting.

Basis of Presentation

The accompanying unaudited interim Consolidated Financial Statements of S&T have been prepared in accordance with generally accepted accounting principles, or GAAP, in the United States 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 GAAP for complete financial statements and should be read in conjunction with the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission, or SEC, on March 2, 2020. In the opinion of management, the accompanying interim financial information reflects all adjustments, consisting of normal recurring adjustments, necessary to present fairly our financial position and the results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year or any future period.

On June 5, 2019 we entered into an agreement to acquire DNB Financial Corporation, or DNB, and the transaction was completed on November 30, 2019. Refer to Note 2, Business Combinations for further details on the merger.

Reclassification

Amounts in prior period financial statements and footnotes are reclassified whenever necessary to conform to the current period presentation. Reclassifications had no effect on our results of operations or financial condition.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Recently Adopted Accounting Standards Updates, or ASU or Update

Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the Financial Accounting Standards Board, or FASB, issued ASU No. 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments in this ASU apply to an entity that is a customer in a hosting arrangement that is a service contract. These amendments relate to accounting for implementation costs (e.g., implementation, setup and other upfront costs). These amendments require an entity in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which costs to capitalize and which costs to expense. These amendments require the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. This ASU is effective for annual and interim periods beginning after December 15, 2019. We adopted this ASU on January 1, 2020. The amendments in this ASU did not materially impact our Consolidated Balance Sheets or Consolidated Statements of Comprehensive Income.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 1. BASIS OF PRESENTATION - continued

Fair Value Measurement - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement - Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU remove certain disclosures from Topic 820, modify disclosures and/or require additional disclosures. The amendments in this Update required us to change our Fair Value disclosures beginning with the disclosures included in Form 10-Q for the period ended March 31, 2020. We adopted this ASU on January 1, 2020. The amendments in this ASU did not materially impact our Consolidated Balance Sheets or Consolidated Statements of Comprehensive Income. Refer to Note 4, Fair Value Measurements.

Intangibles - Goodwill and Other - Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other - Simplifying the Test for Goodwill Impairment (Topic 350). The main objective of this ASU is to simplify the current requirements for testing goodwill for impairment by eliminating step two from the goodwill impairment test. The amendments are expected to reduce the complexity and costs associated with performing the goodwill impairment test, which could result in recording impairment charges sooner. This Update is effective for any interim and annual impairment tests in reporting periods in fiscal years beginning after December 15, 2019. We adopted the amendments of this ASU on January 1, 2020. The amendments in this ASU did not have any impact on our Consolidated Balance Sheets or Consolidated Statements of Comprehensive Income.

Financial Instruments - Credit Losses

On January 1, 2020, we adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology for determining our provision for credit losses, and allowance for credit losses, or ACL, with an expected loss methodology that is referred to as the Current Expected Credit Loss, or CECL, model. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including our loans and off-balance sheet credit exposures. In addition, ASU 2016-13 made changes to the accounting for available-for-sale debt securities. Credit losses related to available-for-sale debt securities (regardless of whether the impairment is considered to be other-than-temporary) will be measured in a manner similar to the present, except that such losses will be recorded as allowances rather than as reductions in the amortized cost of the related securities.

We adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2020 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

We made the accounting policy election to not measure an ACL for accrued interest receivables for loans and securities. Accrued interest deemed uncollectible will be written off through interest income.

The majority of our available-for-sale debt securities are government agency-backed securities for which the risk of loss is minimal, and accordingly the ACL is immaterial.

In connection with our adoption of ASU 2016-13, we made changes to our loan portfolio segments to align with the methodology applied in determining the allowance under CECL. Refer to Note 7, Allowance for Credit Losses for further discussion of these portfolio segments. Our new segmentation breaks out business banking loans from our other loan segments: Commercial Real Estate, or CRE, Commercial and Industrial, or C&I, Commercial Construction, Consumer Real Estate and Other Consumer. Business banking loans are commercial loans made to small businesses that are standard, non-complex products and evaluated through a streamlined credit approval process that has been designed to maximize efficiency while maintaining high credit quality standards.

NOTE 1. BASIS OF PRESENTATION - continued

The following table details the impact of ASU 2016-13 and the reclassification of loans for the identification of new portfolio loan segments under CECL:

	January 1, 2020		
(dollars in thousands)	**As Reported Under ASU 2016-13**	**Pre-ASU 2016-13**	**Impact of ASU 2016-13 Adoption**
Assets:			
Loans held for investment (outstanding balance)			
Commercial real estate	$ 2,946,319	$ 3,416,518	$ (470,199)
Commercial and industrial	1,458,541	1,720,833	(262,292)
Commercial construction	345,263	375,445	(30,182)
Business banking	1,092,908	—	1,092,908
Consumer real estate	1,235,352	1,545,323	(309,971)
Other consumer	58,769	79,033	(20,264)
Allowance for credit losses on loans	(89,577)	(62,224)	(27,353)
Total loans held for investment, net	$ 7,047,575	$ 7,074,928	$ (27,353)
Net deferred tax asset	$ 19,317	$ 13,206	$ 6,111
Liabilities:			
Allowance for credit losses on unfunded loan commitments	$ 4,462	$ 3,113	$ 1,349
Equity:			
Retained earnings	$ 738,493	$ 761,083	$ (22,590)

The adoption of ASU 2016-13 resulted in an increase to our ACL of $27.4 million on January 1, 2020. The increase included $8.2 million for S&T legacy loans and $9.3 million for acquired loans from the DNB merger. Under the previously applicable accounting guidance, a credit reserve was not recorded for acquired loans upon acquisition, however, ASU 2016-13 requires an ACL to be recognized for acquired loans similar to originated loans. We also recorded a day one adjustment of $9.9 million primarily related to a C&I relationship that was charged off in the first quarter of 2020. We obtained information on the relationship subsequent to filing our December 31, 2019 Form 10-K, but before the end of the first quarter of 2020. The updated information supported a loss existed at January 1, 2020. As of January 1, 2020, we recorded a cumulative-effect adjustment of $22.6 million to decrease retained earnings related to the adoption of ASU 2016-13.

Allowance for Credit Losses Policy

The ACL is a valuation reserve established and maintained by charges against operating income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The ACL for homogeneous loans is calculated using a life-time loss rate methodology with both a quantitative and a qualitative analysis that is applied on a quarterly basis. The ACL model is comprised of six distinct portfolio segments: 1) Construction, 2) CRE, 3) C&I, 4) Business Banking, 5) Consumer Real Estate and 6) Other Consumer. Each segment has a distinct set of risk characteristics monitored by management. We further evaluate the ACL at a disaggregated level which includes type of collateral, loan participations, non-owner occupied and our internal risk rating system for the commercial segments and type of collateral, lien position, and FICO score, for the consumer segments. Historical credit loss experience is the basis for the estimation of expected credit losses. We apply historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on the unemployment forecast and management judgment. For periods beyond our two year reasonable and supportable forecast, we revert to the historical loss rate. We revert

NOTE 1. BASIS OF PRESENTATION - continued

to historical loss rates utilizing a straight-line method over a one year reversion period. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the bank's loan review system, value of underlying collateral for collateral dependent loans, the existence of and changes in concentrations and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve. A similar process is employed to calculate a reserve assigned to off-balance sheet commitments, specifically unfunded loan commitments and letters of credit, and any needed reserve is recorded in other liabilities.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all commercial loans greater than $0.5 million that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, 3) any commercial troubled debt restructuring, or TDR, or any loan reasonably expected to become a TDR whether on accrual or nonaccrual status and 4) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

Although we believe our process for determining the ACL appropriately considers all the factors that would likely result in credit losses, the process includes subjective elements and may be susceptible to significant change. To the extent actual losses are higher than management estimates, additional provision for credit losses could be required and could adversely affect our earnings or financial position in future periods.

Accounting Standards Issued But Not Yet Adopted

Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU No. 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments in this ASU apply to all employers that sponsor defined benefit pension or other postretirement plans. These amendments remove certain disclosures from Topic 715-20 and require additional disclosures. The amendments in this ASU will require S&T to update our employee benefits disclosures beginning with our Form 10-Q for the period ended March 31, 2021. The amendments in this ASU will have no impact on our consolidated financial statements.

Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this ASU simplifies the accounting for income taxes by removing certain exceptions and improves the consistent application of GAAP by clarifying and amending other existing guidance. The amendments in this ASU will be effective on January 1, 2021 and are not expected to have any impact on our consolidated financial statements.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 1. BASIS OF PRESENTATION - continued

Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this ASU provide optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. Modified contracts that meet certain scope guidance are eligible for relief from the modification accounting requirements in US GAAP. The optional guidance generally allows for the modified contract to be accounted for as a continuation of the existing contract and does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. We are evaluating the impact of this ASU and we expect LIBOR transition to impact our business operations, but we have not yet determined the impact to our consolidated financial statements.

Codification Improvements to Subtopic 310-20, Receivables--Nonrefundable Fees and Other Costs

In October 2020, the FASB issued ASU No. 2020-08, Codification Improvements to Subtopic 310-20, Receivables--Nonrefundable Fees and Other Costs. The amendments in this ASU affect the guidance in ASU No. 2017-08, relating to Premium Amortization on Purchased Callable Debt Securities and clarify the Board's intent that an entity should reevaluate whether a callable debt security that has multiple call dates is within scope of paragraph 310-20-35-33 for each reporting period. For each reporting period, to the extent that the amortized cost basis of an individual callable debt security exceeds the amount repayable by the issuer at the next call date, the excess shall be amortized to the next call date. If there is no remaining premium or if there are no further call dates, the entity shall reset the effective yield using the payment terms of the debt security. The amendments in this ASU will be effective on January 1, 2021 and are not expected to materially impact our consolidated financial statements.

SEC Release No. 2020-118 - Amendments to Improve Financial Disclosures about Acquisitions and Dispositions of Businesses

In May 2020, the Securities and Exchange Commission adopted amendments to the financial disclosure requirements in Regulation S-X for acquisitions and dispositions of businesses, including real estate operations, in Rules 3-05, 3-14, 8-04, 8-05, 8-06, and Article 11, as well as in other related rules and forms. In conjunction with these changes, the Commission also amended the significance tests in the “significant subsidiary” definition in Rule 1-02(w), Securities Act Rule 405, and Exchange Act Rule 12b-2 to improve their application and to assist registrants in making more meaningful determinations of whether a subsidiary or an acquired or disposed business is significant. In addition, to address the unique attributes of investment companies and business development companies, the Commission adopted new requirements regarding fund acquisitions specific to registered investment companies and business development companies. The amendments in this final rule are effective beginning January 1, 2021. We are evaluating the impact of this final rule and we expect these amendments to impact disclosures in our consolidated financial statements relating to any future acquisitions and disposition of businesses.

SEC Release No. 2020-205 - Modernizes Disclosures for Bank Registrants

In September 2020, the Securities and Exchange Commission adopted rules to update and expand the statistical disclosures that bank and savings and loan registrants provide to investors. The rules eliminate certain disclosure items that are duplicative of other Commission rules and requirements of U.S. GAAP or the International Financial Reporting Standards. The rules replace industry Guide 3, Statistical Disclosure by Bank Holding Companies, with updated disclosure requirements in new subpart 1400 of Regulation S-K. These rules are effective November 16, 2020 with a compliance date of December 31, 2021. We are evaluating the impact of this final rule and we expect these rules to impact disclosures in the Management's Discussion and Analysis section of our Annual Report on Form 10-K for the year ended December 31, 2021.

NOTE 2. BUSINESS COMBINATIONS

On November 30, 2019, we completed our acquisition of DNB Financial Corporation, or DNB, and DNB First National Association, its wholly-owned bank subsidiary, located in Downingtown, Pennsylvania. The acquisition of DNB expanded our Eastern Pennsylvania market by adding 14 banking locations, in an all-stock transaction structured as a merger of DNB with and into S&T, with S&T being the surviving entity. The related systems conversion of DNB into S&T Bank occurred on February 7, 2020.

DNB shareholders received, without interest, 1.22 shares of S&T common stock for each share of DNB common stock. The total purchase price was approximately $201.0 million, which included $0.4 million of cash and 5,318,964 S&T common shares at a fair value of $37.72 per share. The fair value of $37.72 per share of S&T common stock was based on the November 30, 2019 closing price.

The Merger was accounted for under the acquisition method of accounting and our Consolidated Financial Statements include all DNB Bank transactions beginning on December 1, 2019. Goodwill of $86.0 million at September 30, 2020 was calculated as the excess of the consideration exchanged over the fair value of the identifiable net assets acquired. All of the goodwill was assigned to our Community Banking segment. The goodwill recognized is not deductible for tax purposes.

Measurement period adjustments were $1.8 million during the nine months ended September 30, 2020 which reflect facts and circumstances in existence as of the closing date of the acquisition. These measurement period adjustments primarily related to a $2.4 million reduction in the fair value of loans, a $0.3 million reduction in the fair value of borrowings, a $0.1 million reduction of other liabilities, a $0.1 million reduction in other assets and a $0.3 million increase in deferred income tax assets.

The following table presents the fair value adjustments and the measurement period adjustments as of the dates presented:

	November 30, 2019			September 30, 2020	
	As Recorded by DNB	Fair Value Adjustments	As Recorded by S&T	Measurement Period Adjustments	As Recorded by S&T
Fair Value of Assets Acquired					
Cash and cash equivalents	$ 64,119	$ —	$ 64,119	$ —	$ 64,119
Securities and other investments	108,715	183	108,898	—	108,898
Loans	917,127	(8,143)	908,984	(2,377)	906,607
Allowance for credit losses	(6,487)	6,487	—	—	—
Goodwill	15,525	(15,525)	—	—	—
Premises and equipment	6,782	8,090	14,872	—	14,872
Accrued interest receivable	4,138	—	4,138	—	4,138
Deferred income taxes	2,017	(3,298)	(1,281)	311	(970)
Core deposits and other intangible assets	269	(269)	—	—	—
Other assets	24,883	(4,278)	20,605	(108)	20,497
Total Assets Acquired	1,137,088	(16,753)	1,120,335	(2,174)	1,118,161
Fair Value of Liabilities Assumed					
Deposits	966,263	1,002	967,265	—	967,265
Borrowings	37,617	(276)	37,341	(257)	37,084
Accrued interest payable and other liabilities	11,157	(3,184)	7,973	(122)	7,851
Total Liabilities Assumed	1,015,037	(2,458)	1,012,579	(379)	1,012,200
Total Net Assets Acquired	$ 122,051	$ (14,295)	$ 107,756	$ (1,795)	$ 105,961
Core Deposit Intangible Asset			$ 7,288	$ —	$ 7,288
Wealth Management Intangible Asset			1,772	—	1,772
Total Fair Value of Net Assets Acquired and Identified			$ 116,816	$ (1,795)	$ 115,021
Consideration Paid					
Cash			$ 360	$ —	$ 360
Common stock			200,631	—	200,631
Fair Value of Total Consideration			$ 200,991	$ —	$ 200,991
Goodwill			$ 84,175	$ 1,795	$ 85,970

NOTE 2. BUSINESS COMBINATIONS – continued

Loans acquired in the Merger were recorded at fair value with no carryover of the related ACL from DNB. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. The fair value of the loans acquired was estimated at $909.0 million, net of a $10.5 million discount. The discount is accreted to interest income over the remaining contractual life of the loans. During the nine month period ended September 30, 2020, the fair value of acquired loans was reduced by $2.4 million as we finalized our evaluation of the loan portfolio to reflect facts and circumstances in existence as of the acquisition date.

As of September 30, 2020, direct costs related to the DNB merger of $13.7 million were recognized and expensed as incurred. During the nine months ended September 30, 2020, we recognized $2.3 million of merger related expenses including $0.2 million in legal and professional fees, $1.4 million in severance payments and stay-bonuses, $0.4 million for data processing and $0.3 million in other expenses. As of December 31, 2019, we recognized $11.4 million of merger related expenses, including $4.7 million for data processing contract termination and system conversion costs, $2.8 million in legal and professional expenses, $3.4 million in severance payments and $0.5 million in other expenses.

NOTE 3. EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) per share is calculated using both the two-class and the treasury stock methods with the more dilutive method used to determine diluted earnings per share. The following table reconciles the numerators and denominators of basic and diluted earnings (loss) per share calculations for the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except share and per share data)	**2020**	**2019**	**2020**	**2019**
Numerator for Earnings (Loss) per Share—Basic:				
Net income (loss)	$ 16,705	$ 26,936	$ (3,136)	$ 75,965
Less: Income allocated to participating shares	52	72	—	204
Net Income (Loss) Allocated to Shareholders	**$ 16,653**	**$ 26,864**	**$ (3,136)**	**$ 75,761**
Numerator for Earnings (Loss) per Share—Diluted:				
Net income (loss)	$ 16,705	$ 26,936	$ (3,136)	$ 75,965
Net Income (Loss) Available to Shareholders	**$ 16,705**	**$ 26,936**	**$ (3,136)**	**$ 75,965**
Denominators for Earnings (Loss) per Share:				
Weighted Average Shares Outstanding—Basic	**39,020,811**	**34,090,779**	**39,101,309**	**34,221,479**
Add: Potentially dilutive shares	20,656	79,502	—	105,746
Denominator for Treasury Stock Method—Diluted	**39,041,467**	**34,170,281**	**39,101,309**	**34,327,225**
Weighted Average Shares Outstanding—Basic	**39,020,811**	**34,090,779**	**39,101,309**	**34,221,479**
Add: Average participating shares outstanding	—	186,491	—	186,253
Denominator for Two-Class Method—Diluted	**39,020,811**	**34,277,270**	**39,101,309**	**34,407,732**
Earnings (Loss) per share—basic	$ 0.43	$ 0.79	$ (0.08)	$ 2.22
Earnings (Loss) per share—diluted	$ 0.43	$ 0.79	$ (0.08)	$ 2.21
Restricted stock considered anti-dilutive excluded from potentially dilutive shares	19,449	254	1,137	360

NOTE 4. FAIR VALUE MEASUREMENTS

We use fair value measurements when recording and disclosing certain financial assets and liabilities. Debt securities, equity securities and derivative financial instruments are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record other assets at fair value on a nonrecurring basis, such as loans held for sale, loans held for investment, OREO, and other repossessed assets, mortgage servicing rights, or MSRs, and certain other assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction. In determining fair value, we use various valuation approaches, including market, income and cost approaches. The fair value standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, which are developed based on market data that we have obtained from independent sources. Unobservable inputs reflect our estimates of assumptions that market participants would use in pricing an asset or liability, which are developed based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1: valuation is based upon unadjusted quoted market prices for identical instruments traded in active markets.

Level 2: valuation is based upon quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by market data.

Level 3: valuation is derived from other valuation methodologies, including discounted cash flow models and similar techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in determining fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our policy is to recognize transfers between any of the fair value hierarchy levels at the end of the reporting period in which the transfer occurred.

The following are descriptions of the valuation methodologies that we use for financial instruments recorded at fair value on either a recurring or nonrecurring basis.

Recurring Basis

Available-for-Sale Debt Securities

We obtain fair values for debt securities from a third-party pricing service which utilizes several sources for valuing fixed-income securities. We validate prices received from our pricing service through comparison to a secondary pricing service and broker quotes. We review the methodologies of the pricing services which provide us with a sufficient understanding of the valuation models, assumptions, inputs and pricing to reasonably measure the fair value of our debt securities. The market valuation sources for debt securities include observable inputs rather than significant unobservable inputs and are classified as Level 2. The service provider utilizes pricing models that vary by asset class and include available trade, bid and other market information. Generally, the methodologies include broker quotes, proprietary models, vast descriptive terms and conditions databases and extensive quality control programs.

Equity Securities

Marketable equity securities that have an active, quotable market are classified as Level 1. Marketable equity securities that are quotable, but are thinly traded or inactive, are classified as Level 2. Marketable equity securities that are not readily traded and do not have a quotable market are classified as Level 3.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS - continued

Deferred Compensation Plan Assets

We use quoted market prices to determine the fair value of our equity security assets. These securities are reported at fair value with the gains and losses included in noninterest income in our Consolidated Statements of Comprehensive Income. These assets are held in a deferred compensation plan and are invested in readily quoted mutual funds. Accordingly, these assets are classified as Level 1. Deferred compensation plan assets are reported in other assets in the Consolidated Balance Sheets.

Derivative Financial Instruments

We use derivative instruments, including interest rate swaps for commercial loans with our customers, interest rate lock commitments and the sale of mortgage loans in the secondary market. We calculate the fair value for derivatives using accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. Each valuation considers the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, such as interest rate curves and implied volatilities. Accordingly, derivatives are classified as Level 2. We incorporate credit valuation adjustments into the valuation models to appropriately reflect both our own nonperformance risk and the respective counterparties' nonperformance risk in calculating fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements and collateral postings.

Nonrecurring Basis

Loans Held for Sale

Loans held for sale consist of 1-4 family residential loans originated for sale in the secondary market and, from time to time, certain loans are transferred from the loan portfolio to loans held for sale, all of which are carried at the lower of cost or fair value. The fair value of 1-4 family residential loans is based on the principal or most advantageous market currently offered for similar loans using observable market data. The fair value of the loans transferred from the loan portfolio is based on the amounts offered for these loans in currently pending sales transactions. Loans held for sale carried at fair value are classified as Level 3.

Loans Held for Investment

Loans that are individually evaluated to determine whether a specific allocation of ACL is needed are reported at fair value. Fair value is determined using the following methods: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral less estimated selling costs when the loan is collateral dependent and we expect to liquidate the collateral. However, if repayment is expected to come from the operation of the collateral, rather than liquidation, then we do not consider estimated selling costs in determining the fair value of the collateral. Collateral values are generally based upon appraisals by approved, independent state certified appraisers. Appraisals may be discounted based on our historical knowledge, changes in market conditions from the time of appraisal or our knowledge of the borrower and the borrower's business. Loans carried at fair value are classified as Level 3.

OREO and Other Repossessed Assets

OREO and other repossessed assets obtained in partial or total satisfaction of a loan are recorded at the lower of recorded investment in the loan or fair value less cost to sell. Subsequent to foreclosure, these assets are carried at the lower of the amount recorded at acquisition date or fair value less cost to sell. Accordingly, it may be necessary to record nonrecurring fair value adjustments. Fair value, when recorded, is generally based upon appraisals by approved, independent state certified appraisers. Appraisals on OREO may be discounted based on our historical knowledge, changes in market conditions from the time of appraisal or other information available to us. OREO and other repossessed assets carried at fair value are classified as Level 3.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS - continued

Mortgage Servicing Rights

The fair value of MSRs is determined by calculating the present value of estimated future net servicing cash flows, considering expected mortgage loan prepayment rates, discount rates, servicing costs and other economic factors, which are determined based on current market conditions. The expected rate of mortgage loan prepayments is the most significant factor driving the value of MSRs. MSRs are considered impaired if the carrying value exceeds fair value. Since the valuation model includes significant unobservable inputs as listed above, MSRs are classified as Level 3. MSRs are reported in other assets in the Consolidated Balance Sheets and are amortized into mortgage banking income in the Consolidated Statements of Comprehensive Income.

Other Assets

We measure certain other assets at fair value on a nonrecurring basis. Fair value is based on the application of lower of cost or fair value accounting, or write-downs of individual assets. Valuation methodologies used to measure fair value are consistent with overall principles of fair value accounting and consistent with those described above.

Financial Instruments

In addition to financial instruments recorded at fair value in our financial statements, fair value accounting guidance requires disclosure of the fair value of all of an entity's assets and liabilities that are considered financial instruments. The majority of our assets and liabilities are considered financial instruments. Many of these instruments lack an available trading market as characterized by a willing buyer and a willing seller engaged in an exchange transaction. Also, it is our general practice and intent to hold our financial instruments to maturity and to not engage in trading or sales activities with respect to such financial instruments. For fair value disclosure purposes, we substantially utilize the fair value measurement criteria as required and explained above. In cases where quoted fair values are not available, we use present value methods to determine the fair value of our financial instruments.

Cash and Cash Equivalents

The carrying amounts reported in the Consolidated Balance Sheets for cash and due from banks, including interest-bearing deposits, approximate fair value.

Loans

The fair value of variable rate loans that may reprice frequently at short-term market rates is based on carrying values adjusted for liquidity and credit risk. The fair value of variable rate loans that reprice at intervals of one year or longer, such as adjustable rate mortgage products, is estimated using discounted cash flow analyses that utilize interest rates currently being offered for similar loans and adjusted for liquidity and credit risk. The fair value of fixed rate loans is estimated using a discounted cash flow analysis that utilizes interest rates currently being offered for similar loans adjusted for liquidity and credit risk.

Bank Owned Life Insurance

Fair value approximates net cash surrender value of bank owned life insurance, or BOLI.

Federal Home Loan Bank, or FHLB, and Other Restricted Stock

It is not practical to determine the fair value of our FHLB and other restricted stock due to the restrictions placed on the transferability of these stocks; it is presented at carrying value.

Collateral Receivable

The carrying amount included in Other Assets on our Consolidated Balance Sheets approximates fair value.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS - continued

Deposits

The fair values disclosed for deposits without defined maturities (*e.g.*, noninterest and interest-bearing demand, money market and savings accounts) are by definition equal to the amounts payable on demand. The carrying amounts for variable rate, fixed-term time deposits approximate their fair values. Estimated fair values for fixed rate and other time deposits are based on discounted cash flow analysis using interest rates currently offered for time deposits with similar terms. The carrying amount of accrued interest approximates fair value.

Short-Term Borrowings

The carrying amounts of securities sold under repurchase agreements, or REPOs, and other short-term borrowings approximate their fair values.

Long-Term Borrowings

The fair values disclosed for fixed rate long-term borrowings are determined by discounting their contractual cash flows using current interest rates for long-term borrowings of similar remaining maturities. The carrying amounts of variable rate long-term borrowings approximate their fair values.

Junior Subordinated Debt Securities

The interest rate on the variable rate junior subordinated debt securities is reset quarterly; therefore, the carrying values approximate their fair values.

Loan Commitments and Standby Letters of Credit

Off-balance sheet financial instruments consist of commitments to extend credit and letters of credit. Except for interest rate lock commitments, estimates of the fair value of these off-balance sheet items are not made because of the short-term nature of these arrangements and the credit standing of the counterparties.

Other

Estimates of fair value are not made for items that are not defined as financial instruments, including such items as our core deposit intangibles and the value of our trust operations.

NOTE 4. FAIR VALUE MEASUREMENTS - continued

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present our assets and liabilities that are measured at fair value on a recurring basis by fair value hierarchy level at September 30, 2020 and December 31, 2019. There were no transfers between Level 1 and Level 2 for items measured at fair value on a recurring basis during the periods presented.

	September 30, 2020			
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Available-for-sale debt securities:				
U.S. Treasury securities	$ —	$ 10,323	$ —	$ 10,323
Obligations of U.S. government corporations and agencies	—	93,351	—	93,351
Collateralized mortgage obligations of U.S. government corporations and agencies	—	183,032	—	183,032
Residential mortgage-backed securities of U.S. government corporations and agencies	—	17,352	—	17,352
Commercial mortgage-backed securities of U.S. government corporations and agencies	—	280,224	—	280,224
Corporate obligations	—	4,027	—	4,027
Obligations of states and political subdivisions	—	126,611	—	126,611
Total Available-for-sale Debt Securities	**—**	**714,920**	**—**	**714,920**
Marketable equity securities	3,185	64	—	3,249
Total Securities	**3,185**	**714,984**	**—**	**718,169**
Securities held in a deferred compensation plan	5,990	—	—	5,990
Derivative financial assets:				
Interest rate swaps	—	90,163	—	90,163
Interest rate lock commitments	—	3,198	—	3,198
Total Assets	**$ 9,175**	**$ 808,345**	**$ —**	**$ 817,520**
LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	$ —	$ 90,616	$ —	$ 90,616
Forward sale contracts	—	450	—	450
Total Liabilities	**$ —**	**$ 91,066**	**$ —**	**$ 91,066**

	December 31, 2019			
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Available-for-sale debt securities:				
U.S. Treasury securities	$ —	$ 10,040	$ —	$ 10,040
Obligations of U.S. government corporations and agencies	—	157,697	—	157,697
Collateralized mortgage obligations of U.S. government corporations and agencies	—	189,348	—	189,348
Residential mortgage-backed securities of U.S. government corporations and agencies	—	22,418	—	22,418
Commercial mortgage-backed securities of U.S. government corporations and agencies	—	275,870	—	275,870
Corporate Bonds	—	7,627	—	7,627
Obligations of states and political subdivisions	—	116,133	—	116,133
Total Available-for-Sale Debt Securities	**—**	**779,133**	**—**	**779,133**
Marketable equity securities	5,078	72	—	5,150
Total Securities	**5,078**	**779,205**	**—**	**784,283**
Securities held in a deferred compensation plan	5,987	—	—	5,987
Derivative financial assets:				
Interest rate swaps	—	25,647	—	25,647
Interest rate lock commitments	—	321	—	321
Forward sale contracts	—	1	—	1
Total Assets	**$ 11,065**	**$ 805,174**	**$ —**	**$ 816,239**
LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	$ —	$ 25,615	$ —	$ 25,615
Total Liabilities	**$ —**	**$ 25,615**	**$—**	**$ 25,615**

NOTE 4. FAIR VALUE MEASUREMENTS - continued

Assets Recorded at Fair Value on a Nonrecurring Basis

We may be required to measure certain assets and liabilities at fair value on a nonrecurring basis. Nonrecurring assets are recorded at the lower of cost or fair value in our financial statements. There were no liabilities measured at fair value on a nonrecurring basis at either September 30, 2020 or December 31, 2019.

For Level 3 assets measured at fair value on a nonrecurring basis as of September 30, 2020 and December 31, 2019, the significant unobservable inputs used in the fair value measurements were as follows:

(dollars in thousands)	September 30, 2020	Valuation Technique	Significant Unobservable Inputs	Range			Weighted Average [1] [2] [3]
Loans held for investment	$ 46,857	Collateral method	Costs to sell	0%	-	22%	7.47%
		Discounted cash flow method	Discount rate		3.25%		3.25%
Other real estate owned	2,098	Collateral method	Costs to sell	0%	-	7.00%	4.67%
Mortgage servicing rights	$ 4,665	Discounted cash flow method	Discount rate	9.33%	-	12.55%	9.43%
			Constant prepayment rates	7.39%	-	13.54%	13.33%
Total Assets	**$ 53,620**						

(dollars in thousands)	December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Range			Weighted Average [1] [2] [3]
Loans held for investment	$ 38,697	Collateral method	Costs to sell	0 %	-	20 %	8.55%
		Discounted cash flow method	Discount rate	4.75 %	-	5.50 %	5.28%
Other real estate owned	3,231	Collateral method	Costs to sell	7.00%			7.00%
Mortgage servicing rights	$ 1,134	Discounted cash flow method	Discount rate	9.39 %	-	12.54 %	9.49%
			Constant prepayment rates	7.46 %	-	12.74 %	9.73%
Total Assets	**$ 43,062**						

[1] Weighted averages for loans held for investment were weighted by loan amounts.
[2] Weighted averages for other real estate owned were weighted by OREO balances.
[3] Weighted averages for mortgage services rights discount rate and prepayment rates are based on note rate tranches and voluntary constant prepayment rates.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 4. FAIR VALUE MEASUREMENTS - continued

The carrying values and fair values of our financial instruments at September 30, 2020 and December 31, 2019 are presented in the following tables:

(dollars in thousands)	Carrying Value[1]	Fair Value Measurements at September 30, 2020			
		Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	$ 308,489	$ 308,489	$ 308,489	$ —	$ —
Securities	718,169	718,169	3,185	714,984	—
Loans held for sale	16,724	16,724	—	—	16,724
Portfolio loans, net	7,273,870	7,196,845	—	—	7,196,845
Bank owned life insurance	81,873	81,873	—	81,873	—
FHLB and other restricted stock	15,777	15,777	—	—	15,777
Collateral receivable	90,827	90,827	90,827	—	—
Securities held in a deferred compensation plan	5,990	5,990	5,990	—	—
Mortgage servicing rights	4,717	4,718	—	—	4,718
Interest rate swaps	90,163	90,163	—	90,163	—
Interest rate lock commitments	3,198	3,198	—	3,198	—
LIABILITIES					
Deposits	$ 7,633,818	$ 7,638,132	$ 6,187,722	$ 1,450,410	$ —
Securities sold under repurchase agreements	42,706	42,706	42,706	—	—
Short-term borrowings	83,000	83,000	83,000	—	—
Long-term borrowings	49,076	50,155	4,540	45,615	—
Junior subordinated debt securities	64,068	64,068	64,068	—	—
Interest rate swaps	90,616	90,616	—	90,616	—
Forward sales contracts	450	450	—	450	—

[1] *As reported in the Consolidated Balance Sheets*

(dollars in thousands)	Carrying Value[1]	Fair Value Measurements at December 31, 2019			
		Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	$ 197,823	$ 197,823	$ 197,823	$ —	$ —
Securities	784,283	784,283	5,078	779,205	—
Loans held for sale	5,256	5,256	—	—	5,256
Portfolio loans, net	7,074,928	6,940,875	—	—	6,940,875
Bank owned life insurance	80,473	80,473	—	80,473	—
FHLB and other restricted stock	22,977	22,977	—	—	22,977
Securities held in a Deferred Compensation Plan	5,987	5,987	5,987	—	—
Mortgage servicing rights	4,662	4,650	—	—	4,650
Interest rate swaps	25,647	25,647	—	25,647	—
Interest rate lock commitments	321	321	—	321	—
Forward sale contracts	1	1	—	1	—
LIABILITIES					
Deposits	$ 7,036,576	$ 7,034,595	$ 5,441,143	$ 1,593,452	$ —
Securities sold under repurchase agreements	19,888	19,888	19,888	—	—
Short-term borrowings	281,319	281,319	281,319	—	—
Long-term borrowings	50,868	51,339	4,678	46,661	—
Junior subordinated debt securities	64,277	64,277	64,277	—	—
Interest rate swaps	25,615	25,615	—	25,615	—

[1] *As reported in the Consolidated Balance Sheets*

NOTE 5. SECURITIES

The following table presents the fair values of our securities portfolio at the dates presented:

(dollars in thousands)	September 30, 2020	December 31, 2019
Available-for-sale debt securities	$ 714,920	$ 779,133
Marketable equity securities	3,249	5,150
Total Securities	**$ 718,169**	**$ 784,283**

Available-for-Sale Debt Securities

The following tables present the amortized cost and fair value of available-for-sale debt securities as of the dates presented:

	September 30, 2020				December 31, 2019			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 9,977	$ 346	$ —	$ 10,323	$ 9,969	$ 71	$ —	$ 10,040
Obligations of U.S. government corporations and agencies	88,809	4,542	—	93,351	155,969	1,773	(45)	157,697
Collateralized mortgage obligations of U.S. government corporations and agencies	175,516	7,516	—	183,032	186,879	2,773	(304)	189,348
Residential mortgage-backed securities of U.S. government corporations and agencies	16,578	774	—	17,352	22,120	321	(23)	22,418
Commercial mortgage-backed securities of U.S. government corporations and agencies	265,202	15,022	—	280,224	273,771	2,680	(581)	275,870
Corporate obligations	4,023	5	(1)	4,027	7,603	24	—	7,627
Obligations of states and political subdivisions	119,368	7,243	—	126,611	112,116	4,017	—	116,133
Total Available-for-Sale Debt Securities [1]	**$ 679,473**	**$ 35,448**	**$ (1)**	**$ 714,920**	**$ 768,427**	**$ 11,659**	**$ (953)**	**$ 779,133**

[1] Excludes interest receivable of $3.0 million at September 30, 2020 and $3.4 million at December 31, 2019. Interest receivable is included in other assets in the consolidated balance sheets.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 5. SECURITIES – continued

The following tables present the fair value and the age of gross unrealized losses on available-for-sale debt securities by investment category as of the dates presented:

	September 30, 2020								
	Less Than 12 Months			12 Months or More			Total		
(dollars in thousands)	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
U.S. Treasury securities	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
Obligations of U.S. government corporations and agencies	—	—	—	—	—	—	—	—	—
Collateralized mortgage obligations of U.S. government corporations and agencies	—	—	—	—	—	—	—	—	—
Residential mortgage-backed securities of U.S. government corporations and agencies	—	—	—	—	—	—	—	—	—
Commercial mortgage-backed securities of U.S. government corporations and agencies	—	—	—	—	—	—	—	—	—
Corporate bonds	1	499	(1)	—	—	—	1	499	(1)
Obligations of states and political subdivisions	—	—	—	—	—	—	—	—	—
Total	**1**	**$ 499**	**$ (1)**	**—**	**$ —**	**$ —**	**1**	**$ 499**	**$ (1)**

	December 31, 2019								
	Less Than 12 Months			12 Months or More			Total		
(dollars in thousands)	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
U.S. Treasury securities	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
Obligations of U.S. government corporations and agencies	3	22,638	(45)	—	—	—	3	22,638	(45)
Collateralized mortgage obligations of U.S. government corporations and agencies	6	23,393	(73)	6	25,254	(231)	12	48,647	(304)
Residential mortgage-backed securities of U.S. government corporations and agencies	1	982	(2)	1	2,534	(21)	2	3,516	(23)
Commercial mortgage-backed securities of U.S. government corporations and agencies	9	90,005	(581)	—	—	—	9	90,005	(581)
Corporate bonds	1	79	—	—	—	—	1	79	—
Obligations of states and political subdivisions	—	—	—	—	—	—	—	—	—
Total Temporarily Impaired Debt Securities	**20**	**$ 137,097**	**$ (701)**	**7**	**$ 27,788**	**$ (252)**	**27**	**$ 164,885**	**$ (953)**

We evaluate securities with unrealized losses quarterly to determine if the decline in fair value has resulted from credit losses or other factors. There was one debt security in an unrealized loss position at September 30, 2020 and 27 debt securities in an unrealized loss position at December 31, 2019. We do not intend to sell and it is more likely than not that we will not be required to sell the security in an unrealized loss position before recovery of its amortized cost. The unrealized loss on the debt security was attributable to changes in interest rates and not related to the credit quality of the issuer. All debt securities were determined to be investment grade and paying principal and interest according to the contractual terms of the security. We concluded that the allowance for credit losses for debt securities was immaterial at September 30, 2020. Prior to the adoption of ASU 2016-13 there was no other than temporary impairment, or OTTI, recorded during the nine months ended September 30, 2019.

NOTE 5. SECURITIES – continued

The following table presents net unrealized gains and losses, net of tax, on available-for-sale debt securities included in accumulated other comprehensive income/(loss), for the periods presented:

	September 30, 2020			December 31, 2019		
(dollars in thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/(Losses)	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/(Losses)
Total unrealized gains/(losses) on available-for-sale debt securities	$ 35,448	$ (1)	$ 35,447	$ 11,659	$ (953)	$ 10,706
Income tax (expense) benefit	(7,548)	—	(7,548)	(2,486)	203	(2,283)
Net Unrealized Gains/(Losses), Net of Tax Included in Accumulated Other Comprehensive Income/(Loss)	**$ 27,900**	**$ (1)**	**$ 27,899**	**$ 9,173**	**$ (750)**	**$ 8,423**

The amortized cost and fair value of available-for-sale debt securities at September 30, 2020 by contractual maturity are included in the table below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2020	
(dollars in thousands)	Amortized Cost	Fair Value
Obligations of the U.S. Treasury, U.S. government corporations and agencies, and obligations of states and political subdivisions		
Due in one year or less	$ 41,497	$ 42,069
Due after one year through five years	111,446	117,923
Due after five years through ten years	38,856	41,458
Due after ten years	26,355	28,835
Available-for-Sale Debt Securities With Maturities	**218,154**	**230,285**
Collateralized mortgage obligations of U.S. government corporations and agencies	175,516	183,032
Residential mortgage-backed securities of U.S. government corporations and agencies	16,578	17,352
Commercial mortgage-backed securities of U.S. government corporations and agencies	265,202	280,224
Corporate Securities	4,023	4,027
Total Available-for-Sale Debt Securities	**$ 679,473**	**$ 714,920**

Debt securities with carrying values of $297.4 million at September 30, 2020 and $286.0 million at December 31, 2019 were pledged for various regulatory and legal requirements.

Marketable Equity Securities

The following table presents realized and unrealized net gains and losses for our marketable equity securities for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2020	2019	2020	2019
Marketable Equity Securities				
Net gains and losses recognized during the period on equity securities	$ 585	$ 156	$ (552)	$ (110)
Less: Net gains and losses recognized during the period on equity securities sold during the period	—	—	142	—
Unrealized Losses/Gains Recognized During the Reporting Period on Equity Securities Still Held at the Reporting Date	$ 585	$ 156	$ (694)	$ (110)

Total unrealized gains and losses on marketable equity securities recognized during the current period are included in other noninterest income on the Consolidated Statements of Comprehensive Income.

NOTE 6. LOANS AND LOANS HELD FOR SALE

Loans are presented net of unearned income of $18.6 million at September 30, 2020 and $4.6 million at December 31, 2019 and net of a discount related to purchase accounting fair value adjustments of $9.3 million at September 30, 2020 and $12.3 million at December 31, 2019. The following table presents loans as of the dates presented:

(dollars in thousands)	September 30, 2020	December 31, 2019
Commercial		
Commercial real estate	$ 3,290,138	$ 3,416,518
Commercial and industrial	2,042,467	1,720,833
Commercial construction	477,429	375,445
Total Commercial Loans	**5,810,034**	**5,512,796**
Consumer		
Residential mortgage	950,887	998,585
Home Equity	537,869	538,348
Installment and other consumer	80,735	79,033
Consumer construction	15,343	8,390
Total Consumer Loans	**1,584,834**	**1,624,356**
Total Portfolio Loans	**7,394,868**	**7,137,152**
Loans held for sale	16,724	5,256
Total Loans[(1)]	**$ 7,411,592**	**$ 7,142,408**

[(1)] Excludes interest receivable of $28.0 million at September 30, 2020 and $22.1 million at December 31, 2019. Interest receivable is included in other assets in the consolidated balance sheets.

Commercial and industrial loans, or C&I, included $550.1 million of loans originated under the Paycheck Protection Program, or PPP, at September 30, 2020. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security, or CARES Act was signed into law. The CARES Act included the PPP, a program designed to aid small and medium sized businesses through federally guaranteed loans distributed through banks. PPP loans are forgivable, in whole or in part, if the proceeds are used for payroll and other permitted expenses in accordance with the requirements of the PPP. The loans are 100 percent guaranteed by the Small Business Administration, or SBA. These loans carry a fixed rate of 1.00 percent and a term of two years, or five years for loans approved by the SBA, on or after June 5, 2020. Payments are deferred for at least six months of the loan. The SBA pays us a processing fee ranging from 1 percent to 5 percent based on the size of the loan. Interest is accrued as earned and loan origination fees and direct costs are deferred and accreted or amortized into interest income over the life of the loan using the level yield method. When a PPP loan is paid off or forgiven by the SBA, the remaining unaccreted or unamortized net origination fees or costs will be immediately recognized into income.

We attempt to limit our exposure to credit risk by diversifying our loan portfolio by segment, geography, collateral and industry and actively managing concentrations. When concentrations exist in certain segments, we mitigate this risk by reviewing the relevant economic indicators and internal risk rating trends and through stress testing of the loans in these segments. Total commercial loans represented 78.6 percent of total portfolio loans at September 30, 2020 and 77.2 percent at December 31, 2019. Within our commercial portfolio, the CRE and Commercial Construction portfolios combined comprised $3.8 billion, or 64.8 percent, of total commercial loans at September 30, 2020 and $3.8 billion, or 68.8 percent, of total commercial loans at December 31, 2019 and 50.9 percent of total portfolio loans at September 30, 2020 and 53.1 percent at December 31, 2019. Further segmentation of the CRE and commercial construction portfolios by collateral type reveals no concentration in excess of 15 percent of both total CRE and commercial construction loans at September 30, 2020 and 11 percent at December 31, 2019.

We lend primarily in Pennsylvania and the contiguous states of Ohio, New York, West Virginia and Maryland. The majority of our commercial and consumer loans are made to businesses and individuals in this geography, resulting in a concentration. We believe our knowledge and familiarity with customers and conditions locally outweighs this geographic concentration risk. The conditions of the local and regional economies are monitored closely through publicly available data and information supplied by our customers. We also use subscription services for additional geographic and industry specific information. Our CRE and commercial construction portfolios have exposure outside of this geography of 6.0 percent of the combined portfolios and 3.1 percent of total portfolio loans at September 30, 2020. This compares to 5.4 percent of the combined portfolios and 2.9 percent of total portfolio loans at December 31, 2019.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 6. LOANS AND LOANS HELD FOR SALE - continued

We individually evaluate all substandard and nonaccrual commercial loans that have experienced a forbearance or change in terms agreement, and all substandard consumer and residential mortgage loans that entered into an agreement to modify their existing loan, to determine if they should be designated as troubled debt restructurings, or TDRs.

All TDRs will be reported as such for the remaining life of the loan, unless the restructuring agreement specifies an interest rate equal to or greater than the rate that would be accepted at the time of the restructuring for a new loan with comparable risk and it is fully expected that the remaining principal and interest will be collected according to the restructured agreement. TDRs can be returned to accruing status if the ultimate collectability of all contractual amounts due, according to the restructured agreement, is not in doubt and there is a period of a minimum of six months of satisfactory payment performance by the borrower either immediately before or after the restructuring.

The following tables summarize restructured loans as of the dates presented:

	September 30, 2020		
(dollars in thousands)	**Performing TDRs**	**Nonperforming TDRs**	**Total TDRs**
Commercial real estate	$ 19	$ 14,504	$ 14,523
Commercial and industrial	7,322	1,549	8,871
Commercial construction	3,986	—	3,986
Business banking	1,539	441	1,980
Consumer real estate	5,606	2,154	7,760
Other consumer	6	—	6
Total[(1)]	**$ 18,478**	**$ 18,648**	**$ 37,126**

[(1)] Refer to Note 1, Basis of Presentation for details of reclassification of our portfolio segments related to the adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

	December 31, 2019		
(dollars in thousands)	**Performing TDRs**	**Nonperforming TDRs**	**Total TDRs**
Commercial real estate	$ 22,233	$ 6,713	$ 28,946
Commercial and industrial	6,909	695	7,604
Commercial construction	1,425	—	1,425
Residential mortgage	2,013	822	2,835
Home equity	4,371	678	5,049
Installment and other consumer	9	4	13
Total	**$ 36,960**	**$ 8,912**	**$ 45,872**

The significant increase in nonperforming TDRs at September 30, 2020 compared to December 31, 2019 was primarily related to a $21.3 million CRE relationship, which was placed on nonaccrual in the first quarter of 2020 and charged down by $10.0 million in the third quarter of 2020, leaving a remaining outstanding balance of $11.3 million. The relationship experienced continued deterioration as a result of the COVID-19 pandemic.

There were two TDRs totaling $0.1 million that returned to accruing status during the three months ended September 30, 2020 and three TDRs totaling $22.7 million that returned to accruing status during the nine months ended September 30, 2020. There were three TDRs totaling $0.2 million that returned to accruing status during the three months ended September 30, 2019 and five TDRs totaling $0.2 million that returned to accruing status during the nine months ended September 30, 2019.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 6. LOANS AND LOANS HELD FOR SALE - continued

The following tables present the restructured loans by portfolio segment and by type of concession for the three and nine months ended September 30, 2020:

	Three Months Ended September 30, 2020				Nine Months Ended September 30, 2020			
(dollars in thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment[1]	Post-Modification Outstanding Recorded Investment[1]	Total Difference in Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment[1]	Post-Modification Outstanding Recorded Investment[1]	Total Difference in Recorded Investment
Totals by Loan Segment								
Commercial Real Estate								
Principal deferral and maturity date extension	—	—	—	—	1	2,210	2,210	—
Maturity date extension and payment delay	1	333	171	(162)	1	333	171	(162)
Total Commercial Real Estate	1	333	171	(162)	2	2,543	2,381	(162)
Commercial and Industrial								
Principal deferral and maturity date extension	—	—	—	—	1	2,467	1,263	(1,205)
Maturity date extension and interest rate reduction	1	3,735	3,735	—	1	3,735	3,735	—
Below market interest rate and payment delay	1	287	287	—	2	362	361	(1)
Payment deferral resulting in payment delay	—	—	—	—	1	93	23	(70)
Total Commercial and Industrial	2	4,022	4,022	—	5	6,657	5,381	(1,276)
Commercial Construction								
Maturity date extension	—	—	—	—	3	2,593	2,561	(32)
Total Commercial Construction	—	—	—	—	3	2,593	2,561	(32)
Residential Mortgage								
Consumer bankruptcy[2]	2	98	96	(2)	5	575	567	(8)
Maturity date extension and payment reduction	—	—	—	—	3	176	176	—
Total Residential Mortgage	2	98	96	(2)	8	751	743	(8)
Home Equity								
Consumer bankruptcy[2]	7	206	239	33	14	456	485	29
Maturity date extension and payment delay	1	30	30	—	1	30	30	—
Total Home Equity	8	236	269	33	15	486	515	29
Installment and Other Consumer								
Consumer bankruptcy[2]	1	4	4	—	1	4	4	—
Total Installment and Other Consumer	$ 1	$ 4	$ 4	$ —	$ 1	$ 4	$ 4	$ —
Totals by Concession Type								
Principal deferral and maturity date extension	—	—	—	—	2	4,677	3,473	(1,204)
Maturity date extension and interest rate reduction	1	3,735	3,735	—	1	3,735	3,735	—
Payment deferral resulting in payment delay	—	—	—	—	1	93	23	(70)
Maturity date extension	—	—	—	—	3	2,593	2,561	(32)
Consumer bankruptcy[2]	10	308	339	31	20	1,035	1,056	21
Maturity date extension and payment delay	2	363	201	(162)	2	363	201	(162)
Below market interest rate and payment delay	1	287	287	—	2	362	361	(1)
Maturity date extension and payment reduction	—	—	—	—	3	176	176	—
Total[3]	14	$ 4,693	$ 4,562	$ (131)	34	$ 13,034	$ 11,586	$ (1,448)

[1] Excludes loans that were fully paid off or fully charged-off by period end. The pre-modification balance represents the balance outstanding prior to modification. The post-modification balance represents the outstanding balance at period end.

[2] Consumer bankruptcy loans where the debt has been legally discharged through the bankruptcy court and not reaffirmed.

[3] Refer to Note 1, Basis of Presentation for details of reclassification of our portfolio segments related to the adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

NOTE 6. LOANS AND LOANS HELD FOR SALE - continued

The following tables present the restructured loans by portfolio segment and by type of concession for the three and nine months ended September 30, 2019:

	Three Months Ended September 30, 2019				Nine Months Ended September 30, 2019			
(dollars in thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment[1]	Post-Modification Outstanding Recorded Investment[1]	Total Difference in Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment[1]	Post-Modification Outstanding Recorded Investment[1]	Total Difference in Recorded Investment
Totals by Loan Segment								
Commercial Real Estate								
Maturity date extension	—	—	—	—	1	1,322	1,298	(24)
Maturity date extension and interest rate reduction	—	—	—	—	1	151	147	(4)
Principal deferral	3	23,517	23,236	(281)	3	23,517	23,236	(281)
Principal forgiveness	—	—	—	—	1	4,690	4,518	(172)
Below market interest rate	2	569	548	(21)	2	569	548	(21)
Total Commercial Real Estate	**5**	**24,086**	**23,784**	**(302)**	**8**	**30,249**	**29,747**	**(502)**
Commercial and Industrial								
Maturity date extension and interest rate reduction	—	—	—	—	1	4,751	4,333	(418)
Principal deferral	1	1,250	1,250	—	1	1,250	1,250	—
Principal deferral and maturity date extension	1	292	277	(15)	1	292	277	(15)
Total Commercial and Industrial	**2**	**1,542**	**1,527**	**(15)**	**3**	**6,293**	**5,860**	**(433)**
Residential Mortgage								
Consumer bankruptcy[2]	—	—	—	—	3	165	160	(5)
Total Residential Mortgage	**—**	**—**	**—**	**—**	**3**	**165**	**160**	**(5)**
Home Equity								
Consumer bankruptcy[2]	14	504	485	(19)	27	801	746	(55)
Interest rate reduction	—	—	—	—	2	190	189	(1)
Total Home Equity	**14**	**504**	**485**	**(19)**	**29**	**991**	**935**	**(56)**
Installment and Other Consumer								
Consumer bankruptcy[2]	1	4	4	—	3	13	10	(3)
Total Installment and Other Consumer	**$ 1**	**$ 4**	**$ 4**	**$ —**	**$ 3**	**$ 13**	**$ 10**	**$ (3)**
Totals by Concession Type								
Maturity date extension	—	—	—	—	1	1,322	1,298	(24)
Maturity date extension and interest rate reduction	—	—	—	—	2	4,902	4,480	(422)
Principal forgiveness	—	—	—	—	1	4,690	4,518	(172)
Consumer bankruptcy[2]	15	508	489	(19)	33	979	916	(63)
Interest rate reduction	—	—	—	—	2	190	189	(1)
Principal deferral	4	24,767	24,486	(281)	4	24,767	24,486	(281)
Principal deferral and maturity date extension	1	292	277	(15)	1	292	277	(15)
Below market interest rate	2	569	548	(21)	2	569	548	(21)
Total[3]	**22**	**$ 26,136**	**$ 25,800**	**$ (336)**	**46**	**$ 37,711**	**$ 36,712**	**$ (999)**

[1] Excludes loans that were fully paid off or fully charged-off by period end. The pre-modification balance represents the balance outstanding prior to modification. The post-modification balance represents the outstanding balance at period end.

[2] Consumer bankruptcy loans where the debt has been legally discharged through the bankruptcy court and not reaffirmed.

[3] Refer to Note 1, Basis of Presentation for details of reclassification of our portfolio segments related to the adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

In response to the coronavirus, or COVID-19, pandemic and its economic impact on our customers, we implemented a short-term modification program that complies with the CARES Act to provide temporary payment relief to those borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. This program allows for a deferral of payments for 90 days and up to a maximum of 180 days for our commercial customers. The customer remains

NOTE 6. LOANS AND LOANS HELD FOR SALE - continued

responsible for deferred payments along with any additional interest accrued during the deferral period. For our consumer customers, interest does not accrue during the deferral period and the maturity date is extended by the length of the deferral period. Under the applicable guidance, none of these loans were considered restructured as of September 30, 2020. We had 144 loans that were modified totaling $350.0 million at September 30, 2020 compared to 2,360 loans that were modified totaling $1.4 billion at June 30, 2020.

As of September 30, 2020, we had 21 commitments to lend an additional $1.7 million on TDRs. Defaulted TDRs are defined as loans having a payment default of 90 days or more after the restructuring takes place. There were no TDRs that defaulted during the three months ended September 30, 2020 and six TDRs totaling $18.1 million that defaulted during the nine months ended September 30, 2020 that were restructured within the last 12 months prior to defaulting. Included in the $18.1 million of defaulted TDRs for the nine months ended September 30, 2020 was the $11.3 million CRE relationship discussed above. There were no TDRs that defaulted during the three and nine months ended September 30, 2019 that were restructured within the last 12 months prior to defaulting.

The following table is a summary of nonperforming assets as of the dates presented:

	Nonperforming Assets	
(dollars in thousands)	**September 30, 2020**	**December 31, 2019**
Nonperforming Assets		
Nonaccrual loans	$ 65,424	$ 45,145
Nonaccrual TDRs	18,648	8,912
Total Nonaccrual Loans	84,072	54,057
OREO	2,317	3,525
Total Nonperforming Assets	**$ 86,389**	**$ 57,582**

The significant increases in nonperforming loans at September 30, 2020 compared to December 31, 2019 was primarily related to the above mentioned $21.3 million CRE relationship, the $10.9 million lending relationship related to the customer fraud and a $4.9 million CRE relationship. The $21.3 million CRE relationship was placed on nonaccrual in the first quarter of 2020 and charged down by $10.0 million in the third quarter of 2020, leaving a remaining outstanding balance of $11.3 million. The relationship experienced continued deterioration as a result of the COVID-19 pandemic. The $10.9 million lending relationship relating to the customer fraud was moved to nonperforming in the second quarter of 2020 and the $4.9 million CRE relationship moved to nonperforming in the third quarter of 2020.

NOTE 7. ALLOWANCE FOR CREDIT LOSSES

We maintain an ACL at a level determined to be adequate to absorb estimated expected credit losses within the loan portfolio over the contractual life of an instrument that considers our historical loss experience, current conditions and forecasts of future economic conditions as of the balance sheet date. We develop and document a systematic ACL methodology based on the following portfolio segments: 1) Commercial Real Estate, or CRE, 2) Commercial and Industrial, or C&I, 3) Commercial Construction, 4) Business Banking, 5) Consumer Real Estate and 6) Other Consumer.

The following are key risks within each portfolio segment:

CRE—Loans secured by commercial purpose real estate, including both owner-occupied properties and investment properties for various purposes such as hotels, retail, multifamily, and health care. Operations of the individual projects and global cash flows of the debtors are the primary sources of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the collateral type and the business prospects of the lessee, if the project is not owner-occupied.

C&I—Loans made to operating companies or manufacturers for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing. Cash flow from the operations of the company is the primary source of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the industry of the company. Collateral for these types of loans often does not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt.

Commercial Construction—Loans made to finance construction of buildings or other structures, as well as to finance the acquisition and development of raw land for various purposes. While the risk of these loans is generally confined to the construction period, if there are problems, the project may not be completed, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the type of project and the experience and resources of the developer.

Business Banking—Commercial loans made to small businesses that are standard, non-complex products evaluated through a streamlined credit approval process that has been designed to maximize efficiency while maintaining high credit quality standards that meet small business market customers' needs. The business banking portfolio is monitored by utilizing a standard and closely managed process focusing on behavioral and performance criteria. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the collateral type and business.

Consumer Real Estate—Loans secured by first and second liens such as home equity loans, home equity lines of credit and 1-4 family residential mortgages, including purchase money mortgages. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The state of the local housing market can also have a significant impact on this segment because low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy the debt.

Other Consumer—Loans made to individuals that may be secured by assets other than 1-4 family residences, as well as unsecured loans. This segment includes auto loans, unsecured loans and lines and credit cards. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The value of the collateral, if there is any, is less likely to be a source of repayment due to less certain collateral values.

Management monitors various credit quality indicators for the commercial, business banking and consumer loan portfolios, including changes in risk ratings, nonperforming status and delinquency on a monthly basis.

We monitor the commercial loan portfolio through an internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower and are reviewed on an ongoing basis according to our internal policies. Loans within the pass rating generally have a lower risk of loss than loans risk rated as special mention or substandard.

Our risk ratings are consistent with regulatory guidance and are as follows:

Pass—The loan is currently performing and is of high quality.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

Special Mention—A special mention loan has potential weaknesses that warrant management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects or in the strength of our credit position at some future date.

Substandard—A substandard loan is not adequately protected by the net worth and/or paying capacity of the borrower or by the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. These loans are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

Doubtful—Loans classified doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

The following table presents loan balances by year of origination and internally assigned risk rating for our portfolio segments as of September 30, 2020:

	Risk Rating								
(dollars in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**	**2015 and Prior**	**Revolving**	**Revolving-Term**	**Total**
Commercial Real Estate									
Pass	$ 277,760	$ 406,883	$ 446,299	$ 289,243	$ 326,634	$ 644,888	$ 47,764	—	$ 2,439,471
Special Mention	—	37,197	186	21,850	43,805	64,855	850	—	168,743
Substandard	—	18,489	8,066	15,039	54,975	105,474	1,500	—	203,543
Doubtful	—	—	—	—	341	6,129	—	—	6,470
Total Commercial Real Estate	**277,760**	**462,569**	**454,551**	**326,132**	**425,755**	**821,346**	**50,114**	**—**	**2,818,227**
Commercial and Industrial									
Pass	682,632	209,253	149,912	76,118	38,877	199,772	347,762	—	1,704,326
Special Mention	3,829	20,396	3,613	968	8,563	6,998	30,552	—	74,919
Substandard	—	4,861	2,519	14,704	71	11,789	2,317	—	36,261
Doubtful	—	238	173	2,537	195	—	—	—	3,143
Total Commercial and Industrial	**686,461**	**234,748**	**156,217**	**94,327**	**47,706**	**218,559**	**380,631**	**—**	**1,818,649**
Commercial Construction									
Pass	102,950	223,433	79,733	15,844	9,854	9,915	11,127	—	452,856
Special Mention	—	—	3,823	—	—	5,033	91	—	8,947
Substandard	—	3,567	—	1,752	—	3,738	—	—	9,057
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Construction	**102,950**	**227,000**	**83,556**	**17,596**	**9,854**	**18,686**	**11,218**	**—**	**470,860**
Business Banking									
Pass	97,367	163,334	133,688	93,886	81,481	289,927	104,721	336	964,740
Special Mention	—	59	1,049	1,719	1,093	7,055	691	123	11,789
Substandard	104	646	3,204	3,755	3,759	26,517	754	683	39,422
Doubtful	—	—	—	—	—	—	—	—	—
Total Business Banking	**97,471**	**164,039**	**137,941**	**99,360**	**86,333**	**323,499**	**106,166**	**1,142**	**1,015,951**
Consumer Real Estate									
Pass	95,412	136,136	74,500	70,027	79,784	263,696	436,392	22,546	1,178,493
Special Mention	—	—	—	—	798	153	—	—	951
Substandard	—	187	555	880	1,036	7,193	212	973	11,036
Doubtful	—	—	—	—	—	—	—	—	—
Total Consumer Real Estate	**95,412**	**136,323**	**75,055**	**70,907**	**81,618**	**271,042**	**436,604**	**23,519**	**1,190,480**
Other consumer									
Pass	8,703	15,078	7,953	4,270	3,039	854	33,216	641	73,754
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	481	129	115	611	3,868	396	1,347	6,947
Doubtful	—	—	—	—	—	—	—	—	—
Total Other Consumer	**8,703**	**15,559**	**8,082**	**4,385**	**3,650**	**4,722**	**33,612**	**1,988**	**80,701**
Total Loan Balance	**$ 1,268,757**	**$ 1,240,238**	**$ 915,402**	**$ 612,707**	**$ 654,916**	**$ 1,657,854**	**$ 1,018,345**	**$ 26,649**	**$ 7,394,868**

We monitor the delinquent status of the commercial and consumer portfolios on a monthly basis. Loans are considered nonperforming when interest and principal are 90 days or more past due or management has determined that a material deterioration in the borrower's financial condition exists. The risk of loss is generally highest for nonperforming loans.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

The following table presents loan balances by year of origination and performing and nonperforming status for our portfolio segments as of September 30, 2020:

(dollars in thousands)	2020	2019	2018	2017	2016	2015 and Prior	Revolving	Revolving-Term	Total
Commercial Real Estate									
Performing	$ 277,760	$ 462,569	$ 454,551	$ 326,132	$ 411,947	$ 788,059	$ 50,114	$ —	$ 2,771,132
Nonperforming	—	—	—	—	13,808	33,287	—	—	47,095
Total Commercial Real Estate	**277,760**	**462,569**	**454,551**	**326,132**	**425,755**	**821,346**	**50,114**	**—**	**2,818,227**
Commercial and Industrial									
Performing	683,514	234,748	155,958	94,327	47,706	217,628	379,082	—	1,812,963
Nonperforming	2,947	—	259	—	—	931	1,549	—	5,686
Total Commercial and Industrial	**686,461**	**234,748**	**156,217**	**94,327**	**47,706**	**218,559**	**380,631**	**—**	**1,818,649**
Commercial Construction									
Performing	102,950	227,000	83,556	16,555	9,854	18,223	11,218	—	469,356
Nonperforming	—	—	—	1,041	—	463	—	—	1,504
Total Commercial Construction	**102,950**	**227,000**	**83,556**	**17,596**	**9,854**	**18,686**	**11,218**	**—**	**470,860**
Business Banking									
Performing	97,471	163,734	136,249	98,042	84,263	311,076	105,951	1,084	997,870
Nonperforming	—	305	1,692	1,318	2,070	12,423	215	58	18,081
Total Business Banking	**97,471**	**164,039**	**137,941**	**99,360**	**86,333**	**323,499**	**106,166**	**1,142**	**1,015,951**
Consumer Real Estate									
Performing	94,828	136,323	74,440	69,663	80,532	265,917	436,328	22,639	1,180,670
Nonperforming	584	—	615	1,244	1,086	5,125	276	880	9,810
Total Consumer Real Estate	**95,412**	**136,323**	**75,055**	**70,907**	**81,618**	**271,042**	**436,604**	**23,519**	**1,190,480**
Other Consumer									
Performing	8,567	15,157	8,082	4,299	3,379	4,043	33,425	1,853	78,805
Nonperforming	136	402	—	86	271	679	187	135	1,896
Total Other Consumer	**8,703**	**15,559**	**8,082**	**4,385**	**3,650**	**4,722**	**33,612**	**1,988**	**80,701**
Performing	1,265,090	1,239,531	912,836	609,018	637,681	1,604,946	1,016,118	25,576	7,310,796
Nonperforming	3,667	707	2,566	3,689	17,235	52,908	2,227	1,073	84,072
Total Loan Balance	**$ 1,268,757**	**$ 1,240,238**	**$ 915,402**	**$ 612,707**	**$ 654,916**	**$ 1,657,854**	**$ 1,018,345**	**$ 26,649**	**$ 7,394,868**

The following tables present the age analysis of past due loans segregated by class of loans as of the dates presented:

	September 30, 2020[2]						
(dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due[1]	Non - performing	Total Past Due Loans	Total Loans
Commercial real estate	$ 2,771,132	$ —	$ —	$ —	$ 47,095	$ 47,095	$ 2,818,227
Commercial and industrial	1,811,342	1,235	—	386	5,686	7,307	1,818,649
Commercial construction	469,356	—	—	—	1,504	1,504	470,860
Business banking	994,389	2,733	748	—	18,081	21,562	1,015,951
Consumer real estate	1,177,782	1,723	1,031	134	9,810	12,698	1,190,480
Other consumer	78,310	349	146	—	1,896	2,391	80,701
Total	**$ 7,302,311**	**$ 6,040**	**$ 1,925**	**$ 520**	**$ 84,072**	**$ 92,556**	**$ 7,394,868**

[1] Represents acquired loans that were recorded at fair value at the acquisition date and remain performing at September 30, 2020.
[2] We had 144 loans that were modified totaling $350.0 million under the CARES Act at September 30, 2020. These customers were not considered past due as a result of their delayed payments. Upon exiting the loan modification deferral program, the measurement of loan delinquency will resume where it left off upon entry into the program. Due to the modification program, this delinquency table may not accurately reflect the credit risk associated with these loans.

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

	December 31, 2019						
(dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due[1]	Non - performing	Total Past Due Loans	Total Loans
Commercial real estate	$ 3,025,505	$ 7,749	$ 71	$ 911	$ 25,356	$ 34,087	$ 3,059,592
Commercial and industrial	1,466,460	126	1,589	1,443	10,911	14,069	1,480,529
Commercial construction	367,204	956	1,163	—	737	2,856	370,060
Business banking	830,735	5,093	1,099	—	9,863	16,055	846,790
Consumer real estate	1,283,591	2,620	1,758	1,175	6,063	11,616	1,295,207
Other consumer	81,866	1,448	305	228	1,127	3,108	84,974
Total	**$ 7,055,361**	**$ 17,992**	**$ 5,985**	**$ 3,757**	**$ 54,057**	**$ 81,791**	**$ 7,137,152**

[1] Represents acquired loans that were recorded at fair value at the acquisition date and remained performing at December 31, 2019.

The following table presents loans on nonaccrual status and loans past due 90 days or more and still accruing by class of loan:

	September 30, 2020				September 30, 2020	
					For the three months ended	For the nine months ended
(dollars in thousands)	Beginning of Period Nonaccrual	End of Period Nonaccrual	Nonaccrual With No Related Allowance	Past Due 90+ Days Still Accruing	Interest Income Recognized on Nonaccrual[1]	Interest Income Recognized on Nonaccrual[1]
Commercial real estate	$ 25,356	$ 47,095	$26,996	$ —	$8	$19
Commercial and industrial	10,911	5,686	967	386	31	52
Commercial construction	737	1,504	1,218	—	—	—
Business banking	9,863	18,081	5,197	—	59	163
Consumer real estate	6,063	9,810	398	134	90	262
Other consumer	1,127	1,896	—	—	1	4
Total	**$ 54,057**	**$ 84,072**	**$34,776**	**$ 520**	**$189**	**$500**

[1] Represents only cash payments received and applied to interest on nonaccrual loans.

The following table presents collateral-dependent loans by class of loan:

	September 30, 2020			
	Type of Collateral			
(dollars in thousands)	Real Estate	Blanket Lien	Investment/Cash	Other
Commercial real estate	$46,965	$40	$—	$—
Commercial and industrial	6,065	20,548	—	—
Commercial construction	5,203	—	—	—
Business banking	4,427	1,621	—	689
Consumer real estate	398	—	—	—
Total	**$63,058**	**$22,209**	**$—**	**$689**

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

The following table presents activity in the ACL for the three and nine months ended September 30, 2020:

	Three Months Ended September 30, 2020						
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Business Banking	Consumer Real Estate	Other Consumer	Total Loans
Allowance for credit losses on loans:							
Balance at beginning of period	$ 57,730	$ 19,164	$ 8,874	$ 14,404	$ 11,585	$ 2,852	$ 114,609
Provision for credit losses on loans	23,839	(4,155)	(1,617)	2,072	(797)	(40)	19,302
Charge-offs	(10,187)	(1,196)	—	(1,748)	(252)	(284)	(13,667)
Recoveries	172	398	1	64	41	78	754
Net (Charge-offs)/Recoveries	**(10,015)**	**(798)**	**1**	**(1,684)**	**(211)**	**(206)**	**(12,913)**
Balance at End of Period	**$ 71,554**	**$ 14,211**	**$ 7,258**	**$ 14,792**	**$ 10,577**	**$ 2,606**	**$ 120,998**

	Nine Months Ended September 30, 2020						
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial [2]	Commercial Construction	Business Banking[1]	Consumer Real Estate	Other Consumer	Total Loans
Allowance for credit losses on loans:							
Balance at beginning of period	$ 30,577	$ 15,681	$ 7,900	$ —	$ 6,337	$ 1,729	$ 62,224
Impact of CECL adoption	4,810	7,853	(3,376)	12,898	4,525	642	27,352
Provision for credit losses on loans	52,185	62,949	2,712	4,197	32	1,489	123,564
Charge-offs	(16,229)	(72,692)	—	(2,469)	(470)	(1,556)	(93,416)
Recoveries	211	420	22	166	153	302	1,274
Net (Charge-offs)/Recoveries	**(16,018)**	**(72,272)**	**22**	**(2,303)**	**(317)**	**(1,254)**	**(92,142)**
Balance at End of Period	**$ 71,554**	**$ 14,211**	**$ 7,258**	**$ 14,792**	**$ 10,577**	**$ 2,606**	**$ 120,998**

[1] In connection with our adoption of ASU 2016-13, we made changes to our loan portfolio segments to align with the methodology applied in determining the allowance under CECL. Our new segmentation breaks out business banking loans from our other loan segments: CRE, C&I, commercial construction, consumer real estate and other consumer. The business banking allowance balance at the beginning of period is included in the other segments and reclassified to business banking through the impact of CECL adoption line.
[2] During the three months ended June 30, 2020, we experienced a pre-tax loss of $58.7 million related to a customer fraud resulting from a check kiting scheme.

The adoption of ASU 2016-13 resulted in an increase to our ACL of $27.4 million on January 1, 2020. The increase included $8.2 million for S&T legacy loans and $9.3 million for acquired loans from the DNB merger. We also recorded a day one adjustment of $9.9 million primarily related to a C&I relationship that was charged off in the first quarter of 2020. We obtained information on the relationship subsequent to filing our December 31, 2019 10-K, but before the end of the first quarter of 2020. The updated information supported a loss existed at January 1, 2020.

During the three months ended June 30, 2020, we had a charge-off of $58.7 million related to a previously disclosed customer fraud resulting from a check kiting scheme. The fraud was perpetrated by a single business customer and the customer has plead guilty in an ongoing criminal investigation. The check kiting scheme resulted in a deposit account overdraft, which became a loan to us that was charged off through the ACL. The customer also had a lending relationship that was originally $15.1 million, including a $14.3 million CRE loan and a $0.8 million line of credit. We recognized a $4.2 million charge-off related to this lending relationship during the three months ended June 30, 2020 and the remaining outstanding balance of $10.9 million is a nonperforming loan at September 30, 2020. A specific reserve of $3.4 million was recognized in the three months ended September 30, 2020 based upon new liens identified against the collateral.

Our qualitative reserve changed ($13.5) million and $15.8 million for the three and nine months ended September 30, 2020. Included in these amounts were ($13.3) million for the three months ended and $12.7 million for the nine months ended for the economic forecast and an allocation for our hotel portfolio and business banking portfolios due to the COVID-19 pandemic. Our forecast covers a period of two years and is driven in part by national unemployment data. The reduction in qualitative reserve for the three months ended September 30, 2020 was due to a meaningful improvement in expected unemployment levels of the forecast period. We added $2.0 million of ACL to the business banking portfolio during the three months ended September 30, 2020 due to the COVID-19 pandemic. Changes in our current conditions qualitative factors resulted in a decrease of $0.2 million and an increase of $3.1 million to the ACL for the three and nine months ended September 30, 2020. Offsetting the decrease in qualitative ACL for the three months ended September 30, 2020 was the impact

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

of the hotel portfolio downgrades on the quantitative model. Our total hotel portfolio was $243.0 million with 95 percent of this portfolio on deferral at September 30, 2020. During the three months ended September 30, 2020, we did an extensive review of the hotel portfolio and as a result downgraded a significant amount of loans within this portfolio. As of September 30, 2020, $92.9 million of hotel loans were risk rated special mention and $126.6 million were substandard. The ACL at September 30, 2020 reflects our estimate of potential loss for the hotel loans. Our estimate will be updated in the fourth quarter when we obtain appraisals on the substandard hotel portfolio.

The C&I portfolio included $550.1 million of loans originated under the PPP at September 30, 2020. The loans are 100 percent guaranteed by the SBA, therefore, we have not assigned any ACL to these loans at September 30, 2020.

Prior to the adoption of ASU 326 on January 1, 2020, we calculated our allowance for loan losses using an incurred loan loss methodology. The following tables are disclosures related to the allowance for loan losses in prior periods.

The following table presents the recorded investment in commercial loan classes by internally assigned risk ratings as of December 31, 2019:

	December 31, 2019							
(dollars in thousands)	Commercial Real Estate	% of Total	Commercial and Industrial	% of Total	Commercial Construction	% of Total	Total	% of Total
Pass	$ 3,270,438	95.7 %	$ 1,636,314	95.1 %	$ 347,304	92.5 %	$ 5,254,056	95.3 %
Special mention	57,285	1.7 %	36,484	2.1 %	10,109	2.7 %	103,878	1.9 %
Substandard	86,772	2.5 %	47,980	2.8 %	17,899	4.8 %	152,651	2.8 %
Doubtful	2,023	0.1 %	55	— %	133	— %	2,211	— %
Total	**$ 3,416,518**	**100.0 %**	**$ 1,720,833**	**100.0 %**	**$ 375,445**	**100.0 %**	**$ 5,512,796**	**100.0 %**

The following table presents the recorded investment in consumer loan classes by performing and nonperforming status as of December 31, 2019:

	December 31, 2019									
(dollars in thousands)	Residential Mortgage	% of Total	Home Equity	% of Total	Installment and Other Consumer	% of Total	Consumer Construction	% of Total	Total	% of Total
Performing	$ 991,066	99.2 %	$ 535,709	99.5 %	$ 78,993	99.9 %	$ 8,390	100.0 %	$ 1,614,158	99.4 %
Nonperforming	7,519	0.8 %	2,639	0.5 %	40	0.1 %	—	— %	10,198	0.6 %
Total	**$ 998,585**	**100.0 %**	**$ 538,348**	**100.0 %**	**$ 79,033**	**100.0 %**	**$ 8,390**	**100.0 %**	**$ 1,624,356**	**100.0 %**

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

The following table presents investments in loans considered to be impaired and related information on those impaired loans as of December 31, 2019:

	December 31, 2019		
(dollars in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**
With a related allowance recorded:			
Commercial real estate	$ 13,011	$ 14,322	$ 2,023
Commercial and industrial	10,001	10,001	55
Commercial construction	489	489	113
Consumer real estate	—	—	—
Other consumer	9	9	9
Total with a Related Allowance Recorded	**23,510**	**24,821**	**2,200**
Without a related allowance recorded:			
Commercial real estate	34,909	40,201	—
Commercial and industrial	7,605	10,358	—
Commercial construction	1,425	2,935	—
Consumer real estate	7,884	8,445	—
Other consumer	4	11	—
Total without a Related Allowance Recorded	**51,827**	**61,950**	**—**
Total:			
Commercial real estate	47,920	54,523	2,023
Commercial and industrial	17,606	20,359	55
Commercial construction	1,914	3,424	113
Consumer real estate	7,884	8,445	—
Other consumer	13	20	9
Total	**$ 75,337**	**$ 86,771**	**$ 2,200**

S&T BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

The following table presents average recorded investment and interest income recognized on impaired loans for the three and nine months ended September 30, 2019:

	Three months ended September 30, 2019		Nine months ended September 30, 2019	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:				
Commercial real estate	$ 14,255	$ —	$ 14,348	$ —
Commercial and industrial	—	—	—	—
Commercial construction	490	—	490	—
Consumer real estate	—	—	—	—
Other consumer	11	—	13	1
Total with a Related Allowance Recorded	**14,756**	**—**	**14,851**	**1**
Without a related allowance recorded:				
Commercial real estate	39,179	231	39,788	712
Commercial and industrial	8,008	116	6,644	308
Commercial construction	2,318	34	2,318	117
Consumer real estate	8,830	97	8,993	297
Other consumer	3	—	4	—
Total without a Related Allowance Recorded	**58,338**	**478**	**57,747**	**1,434**
Total:				
Commercial real estate	53,434	231	54,136	712
Commercial and industrial	8,008	116	6,644	308
Commercial construction	2,808	34	2,808	117
Consumer real estate	8,830	97	8,993	297
Other consumer	14	—	17	1
Total	**$ 73,094**	**$ 478**	**$ 72,598**	**$ 1,435**

The following table details activity in the allowance for loan losses for the three and nine months ended September 30, 2019:

	Three Months Ended September 30, 2019					
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Other Consumer	Total Loans
Balance at beginning of period	$ 32,836	$ 13,227	$ 7,254	$ 6,571	$ 1,591	$ 61,479
Charge-offs	(2,304)	(1,467)	—	(404)	(525)	(4,700)
Recoveries	6	210	1	102	104	423
Net (Charge-offs)/Recoveries	**(2,298)**	**(1,257)**	**1**	**(302)**	**(421)**	**(4,277)**
Provision for credit losses	1,292	2,397	620	65	539	4,913
Balance at End of Period	**$ 31,830**	**$ 14,367**	**$ 7,875**	**$ 6,334**	**$ 1,709**	**$ 62,115**

	Nine Months Ended September 30, 2019					
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Other Consumer	Total Loans
Balance at beginning of period	$ 33,707	$ 11,596	$ 7,983	$ 6,187	$ 1,523	$ 60,996
Charge-offs	(2,833)	(8,379)	—	(815)	(1,364)	(13,391)
Recoveries	134	718	4	595	292	1,743
Net (Charge-offs)/Recoveries	**(2,699)**	**(7,661)**	**4**	**(220)**	**(1,072)**	**(11,648)**
Provision for credit losses	822	10,432	(112)	367	1,258	12,767
Balance at End of Period	**$ 31,830**	**$ 14,367**	**$ 7,875**	**$ 6,334**	**$ 1,709**	**$ 62,115**

NOTE 7. ALLOWANCE FOR CREDIT LOSSES – continued

The following tables present the allowance for loan losses and recorded investments in loans by category as of December 31, 2019:

	December 31, 2019					
	Allowance for Loan Losses			Portfolio Loans		
(dollars in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial real estate	$ 2,023	$ 28,554	$ 30,577	$ 47,920	$ 3,368,598	$ 3,416,518
Commercial and industrial	55	15,626	15,681	17,606	1,703,227	1,720,833
Commercial construction	113	7,787	7,900	1,914	373,531	375,445
Consumer real estate	—	6,337	6,337	7,884	1,537,439	1,545,323
Other consumer	9	1,720	1,729	13	79,020	79,033
Total	**$ 2,200**	**$ 60,024**	**$ 62,224**	**$ 75,337**	**$ 7,061,815**	**$ 7,137,152**

NOTE 8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Interest Rate Swaps

In accordance with applicable accounting guidance for derivatives and hedging, all derivatives are recognized as either assets or liabilities on the balance sheet at fair value. Interest rate swaps are contracts in which a series of interest rate flows (fixed and variable) are exchanged over a prescribed period. The notional amounts on which the interest payments are based are not exchanged. These derivative positions relate to transactions in which we enter into an interest rate swap with a commercial customer while at the same time entering into an offsetting interest rate swap with another financial institution. In connection with each transaction, we agree to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on the same notional amount at a fixed rate. At the same time, we agree to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The transaction allows our customer to effectively convert a variable rate loan to a fixed rate loan with us receiving a variable rate. These agreements could have floors or caps on the contracted interest rates.

Pursuant to our agreements with various financial institutions, we may receive collateral or may be required to post collateral based upon mark-to-market positions. Beyond unsecured threshold levels, collateral in the form of cash or securities may be made available to counterparties of interest rate swap transactions. Based upon our current positions and related future collateral requirements relating to them, we believe any effect on our cash flow or liquidity position to be immaterial.

Derivatives contain an element of credit risk, the possibility that we will incur a loss because a counterparty, which may be a financial institution or a customer, fails to meet its contractual obligations. All derivative contracts with financial institutions may be executed only with counterparties approved by our Asset and Liability Committee, or ALCO, and derivatives with customers may only be executed with customers within credit exposure limits approved by our Senior Loan Committee. Interest rate swaps are considered derivatives but are not accounted for using hedge accounting. As such, changes in the estimated fair value of the derivatives are recorded in current earnings and included in other noninterest income in the Consolidated Statements of Comprehensive Income.

Interest Rate Lock Commitments and Forward Sale Contracts

In the normal course of business, we sell originated mortgage loans into the secondary mortgage loan market. We also offer interest rate lock commitments to potential borrowers. The commitments are generally for a period of 60 days and guarantee a specified interest rate for a loan if underwriting standards are met, but the commitment does not obligate the potential borrower to close on the loan. Accordingly, some commitments expire prior to becoming loans. We may encounter pricing risks if interest rates increase significantly before the loan can be closed and sold. We may utilize forward sale contracts in order to mitigate this pricing risk. Whenever a customer desires these products, a mortgage originator quotes a secondary market rate guaranteed for that day by the investor. The rate lock is executed between the mortgagee and us and in turn a forward sale contract may be executed between us and the investor. Both the rate lock commitment and the corresponding forward sale contract for each customer are considered derivatives but are not accounted for using hedge accounting. As such, changes in the estimated fair value of the derivatives during the commitment period are recorded in current earnings and included in mortgage banking in the Consolidated Statements of Comprehensive Income.

NOTE 8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES – continued

The following table indicates the amounts representing the value of derivative assets and derivative liabilities as of the dates presented:

	Derivatives (included in Other Assets)		Derivatives (included in Other Liabilities)	
(dollars in thousands)	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Derivatives not Designated as Hedging Instruments:				
Interest Rate Swap Contracts - Commercial Loans				
Fair value	$ 90,163	$ 25,647	$ 90,616	$ 25,615
Notional amount	943,369	740,762	943,369	740,762
Collateral posted	—	—	90,820	26,127
Interest Rate Lock Commitments - Mortgage Loans				
Fair value	3,198	321	—	—
Notional amount	51,985	9,829	—	—
Forward Sale Contracts - Mortgage Loans				
Fair value	—	1	450	—
Notional amount	$ —	$ 12,750	$ 51,871	$ —

Presenting offsetting derivatives that are subject to legally enforceable netting arrangements with the same party is permitted. For example, we may have a derivative asset and a derivative liability with the same counterparty to a swap transaction and we are permitted to offset the asset position and the liability position resulting in a net presentation.

The following table indicates the gross amounts of commercial loan swap derivative assets and derivative liabilities, the amounts offset and the carrying values in the Consolidated Balance Sheets as of the dates presented:

	Derivatives (included in Other Assets)		Derivatives (included in Other Liabilities)	
(dollars in thousands)	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Derivatives not Designated as Hedging Instruments:				
Gross amounts recognized	$ 94,821	$ 26,146	$ 94,779	$ 26,114
Gross amounts offset	(4,658)	(499)	(4,163)	(499)
Net Amounts Presented in the Consolidated Balance Sheets	90,163	25,647	90,616	25,615
Gross amounts not offset[(1)]	—	—	(90,820)	(26,127)
Net Amount	**$ 90,163**	**$ 25,647**	**$ (204)**	**$ (512)**

[(1)] Amounts represent collateral posted for the periods presented.

The following table indicates the gain or loss recognized in income on derivatives for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2020	2019	2020	2019
Derivatives not Designated as Hedging Instruments				
Interest rate swap contracts—commercial loans	$ (537)	$ (16)	$ (485)	$ (112)
Interest rate lock commitments—mortgage loans	86	(194)	2,877	204
Forward sale contracts—mortgage loans	144	169	(451)	9
Total Derivatives (Loss)/Gain	**$ (307)**	**$ (41)**	**$ 1,941**	**$ 101**

NOTE 9. BORROWINGS

Short-term borrowings are for terms under or equal to one year and are comprised of securities sold under repurchase agreements, or REPOs and FHLB advances. All REPOs are overnight short-term investments and are not insured by the Federal Deposit Insurance Corporation, or FDIC. Securities pledged as collateral under these REPO financing arrangements cannot be sold or repledged by the secured party and, therefore, the REPOs are accounted for as secured borrowings. Mortgage-backed securities with amortized cost of $42.0 million and carrying value of $44.0 million at September 30, 2020 and amortized cost of $22.7 million and carrying value of $23.0 million at December 31, 2019, were pledged as collateral for these secured transactions. The pledged securities are held in safekeeping at the Federal Reserve. Due to the overnight short-term nature of REPOs, potential risk due to a decline in the value of the pledged collateral is low. Collateral pledging requirements with REPOs are monitored daily. FHLB advances are for various terms and are secured by a blanket lien on residential mortgages and other real estate secured loans.

Long-term borrowings are for original terms greater than one year and are comprised of FHLB advances, finance leases and junior subordinated debt securities. Long-term FHLB advances are secured by the same loans as short-term FHLB advances. We had total long-term borrowings outstanding of $2.5 million at a fixed and $45.1 million at a variable rate at September 30, 2020, excluding our finance leases.

Information pertaining to borrowings is summarized in the table below as of the dates presented:

	September 30, 2020		December 31, 2019	
(dollars in thousands)	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Short-term Borrowings				
Securities sold under repurchase agreements	$ 42,706	0.25 %	$ 19,888	0.74 %
Short-term borrowings	83,000	0.36 %	281,319	1.84 %
Total Short-term Borrowings	125,706	0.32 %	301,207	1.76 %
Long-term Borrowings				
Long-term borrowings	49,076	2.47 %	50,868	2.60 %
Junior subordinated debt securities	64,068	3.03 %	64,277	3.59 %
Total Long-term Borrowings	113,144	2.79 %	115,145	3.15 %
Total Borrowings	**$ 238,850**	**1.49 %**	**$ 416,352**	**2.14 %**

We had total borrowings at the FHLB of Pittsburgh of $130.6 million at September 30, 2020 and $532.9 million at December 31, 2019. The $130.6 million at September 30, 2020 consisted of $83.0 million in short-term borrowings and $47.6 million in long-term borrowings. Our maximum borrowing capacity with the FHLB of Pittsburgh was $3.0 billion at September 30, 2020. We utilized $523.3 million of our borrowing capacity at September 30, 2020 consisting of $130.6 million for borrowings and $392.7 million for letters of credit to collateralize public funds. Our remaining borrowing availability at September 30, 2020 is $2.5 billion.

We have completed three private placements of trust preferred securities to financial institutions. As a result, we own 100 percent of the common equity of STBA Capital Trust I, DNB Capital Trust I and DNB Capital Trust II, collectively the Trusts. The Trusts were formed to issue mandatorily redeemable capital securities to third-party investors. The proceeds from the sale of the securities and the issuance of the common equity by the Trusts were invested in junior subordinated debt securities issued by us. The Trusts are variable interest entities, and the third-party investors are the primary beneficiaries; therefore, the trusts are not consolidated into our financial statements. The Trusts pay dividends on the securities at the same rate as the interest paid by us on the junior subordinated debt held by the Trusts. DNB Capital Trust I and DNB Capital Trust II were acquired with the DNB merger.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

In the normal course of business, we offer off-balance sheet credit arrangements to enable our customers to meet their financing objectives. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. Our exposure to credit loss, in the event the customer does not satisfy the terms of the agreement, equals the contractual amount of the obligation less the value of any collateral. We apply the same credit policies in making commitments and standby letters of credit that are used for the underwriting of loans to customers. Commitments generally have fixed expiration dates, annual renewals or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Estimates of the fair value of these off-balance sheet items were not made because of the short-term nature of these arrangements and the credit standing of the counterparties.

The following table sets forth our commitments and letters of credit as of the dates presented:

(dollars in thousands)	September 30, 2020	December 31, 2019
Commitments to extend credit	$ 2,251,106	$ 1,910,805
Standby letters of credit	88,529	80,040
Total	**$ 2,339,635**	**$ 1,990,845**

Allowance for Credit Losses on Unfunded Loan Commitments

We maintain an allowance for credit losses on unfunded commercial lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for credit losses for loans, modified to take into account the probability of a draw-down on the commitment. The provision for credit losses on unfunded loan commitments is included in the provision for credit losses on our Consolidated Statements of Comprehensive Income. The allowance for unfunded commitments is included in other liabilities in the Consolidated Balance Sheets.

The activity in the allowance for credit losses on unfunded loan commitments is summarized as of the dates presented:

(dollars in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Balance at beginning of period	$ 7,004	$ 2,346
Provision for credit losses	(1,816)	95
Total	**$ 5,188**	**$ 2,441**

(dollars in thousands)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Balance at beginning of period	$ 3,112	$ 2,139
Impact of adopting ASU 2016-13 at January 1, 2020	1,349	—
Balance after adoption of ASU 2016-13	**4,461**	**2,139**
Provision for credit losses	727	302
Total	**$ 5,188**	**$ 2,441**

The decrease in allowance for credit losses on unfunded loan commitments for the three months ended September 30, 2020 was due to a decrease in the loss rates for the construction portfolio. The increase for the nine months ended September 30, 2020 was primarily related to higher expected credit losses due to the COVID-19 pandemic.

Litigation

In the normal course of business, we are subject to various legal and administrative proceedings and claims. While any type of litigation contains a level of uncertainty, we believe that the outcome of such proceedings or claims pending will not have a material adverse effect on our consolidated financial position or results of operations.

NOTE 11. REVENUE FROM CONTRACTS WITH CUSTOMERS

We earn revenue from contracts with our customers when we have completed our performance obligations and recognize that revenue when services are provided to our customers. Our contracts with customers are primarily in the form of account agreements. Generally, our services are transferred at a point in time in response to transactions initiated and controlled by our customers under service agreements with an expected duration of one year or less. Our customers have the right to terminate their service agreements at any time.

We do not defer incremental direct costs to obtain contracts with customers that would be amortized in one year or less. These costs are primarily salaries and employee benefits recognized as expense in the period incurred.

Service charges on deposit accounts - We recognize monthly service charges for both commercial and personal banking customers based on account fee schedules. Our performance obligation is generally satisfied and the related revenue recognized at a point in time or over time when the services are provided. Other fees are earned based on specific transactions or customer activity within the customers' deposit accounts. These are earned at the time the transaction or customer activity occurs.

Debit and credit card services - Interchange fees are earned whenever debit and credit cards are processed through third-party card payment networks. ATM fees are based on transactions by our customers' and other customers' use of our ATMs or other ATMs. Debit and credit card revenue is recognized at a point in time when the transaction is settled. Our performance obligation to our customers is generally satisfied and the related revenue is recognized at a point in time when the service is provided. Third-party service contracts include annual volume and marketing incentives which are recognized over a period of twelve months when we meet thresholds as stated in the service contract.

Wealth management services - Wealth management services are primarily comprised of fees earned from the management and administration of trusts, assets under administration and other financial advisory services. Generally, wealth management fees are earned over a period of time between monthly and annually, per the related fee schedules. Our performance obligations with our customers are generally satisfied when we provide the services as stated in the customers' agreements. The fees are based on a fixed amount or a scale based on the level of services provided or amount of assets under management.

Other fee revenue - Other fee revenue includes a variety of other traditional banking services such as, electronic banking fees, letters of credit origination fees, wire transfer fees, money orders, treasury checks, checksale fees and transfer fees. Our performance obligations are generally satisfied at a point in time, while fee revenue is recognized when the services are provided or the transaction is settled.

The information presented in the following table presents the point of revenue recognition for revenue from contracts with customers. Other revenue streams such as: interest income, net securities gains and losses, insurance, mortgage banking and other revenues that are accounted for under other generally accepted accounting principles are excluded.

(dollars in thousands)		Three Months Ended September 30,		Nine Months Ended September 30,	
Revenue Streams	**Point of Revenue Recognition**	**2020**	**2019**	**2020**	**2019**
Service charges on deposit accounts	Over a period of time	$ 423	$ 473	$ 1,347	$ 1,381
	At a point in time	2,397	2,939	7,373	8,396
		$ 2,820	**$ 3,412**	**$ 8,720**	**$ 9,777**
Debit and credit card	Over a period of time	$ 178	$ 180	$ 556	$ 542
	At a point in time	3,993	3,295	10,708	9,409
		$ 4,171	**$ 3,475**	**$ 11,264**	**$ 9,951**
Wealth management	Over a period of time	$ 1,992	$ 1,703	$ 5,944	$ 4,991
	At a point in time	530	398	1,527	1,219
		$ 2,522	**$ 2,101**	**$ 7,471**	**$ 6,210**
Other fee revenue	At a point in time	$ 978	$ 864	$ 2,771	$ 2,928

NOTE 12. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the change in components of other comprehensive income (loss) for the periods presented, net of tax effects.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
(dollars in thousands)	Pre-Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pre-Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
Change in net unrealized gains/(losses) on debt securities available-for-sale	$ (882)	$ 188	$ (694)	$ 2,350	$ (501)	$ 1,849
Reclassification adjustment for net (gains)/losses on debt securities available-for-sale included in net income [1]	—	—	—	—	—	—
Adjustment to funded status of employee benefit plans [2]	1,163	(248)	915	454	(97)	357
Other Comprehensive Income (Loss)	**$ 281**	**$ (60)**	**$ 221**	**$ 2,804**	**$ (598)**	**$ 2,206**

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
(dollars in thousands)	Pre-Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Change in net unrealized gains/(losses) on available-for-sale debt securities	$ 24,883	$ (5,294)	$ 19,589	$ 18,716	$ (3,991)	$ 14,725
Reclassification adjustment for net (gains)/losses on debt securities available-for-sale included in net income [1]	(142)	30	(112)	—	—	—
Adjustment to funded status of employee benefit plans [2]	2,092	(446)	1,646	1,359	(290)	1,069
Other Comprehensive Income/(Loss)	**$ 26,833**	**$ (5,710)**	**$ 21,123**	**$ 20,075**	**$ (4,281)**	**$ 15,794**

[1] Reclassification adjustments are comprised of realized security gains or losses. The realized gains or losses have been reclassified out of accumulated other comprehensive income/(loss) and have affected certain lines in the Consolidated Statements of Comprehensive Income as follows: the pre-tax amount is included in net gain on sale of securities, the tax expense amount is included in the provision for income taxes and the net of tax amount is included in net income.

[2] Pension settlement accounting was triggered during the three and nine months ended September 30, 2020 resulting in a charge of $0.7 million immediately recognizing a portion of unrecognized actuarial loss and a remeasurement of our pension obligation.

NOTE 13. EMPLOYEE BENEFITS

Our qualified and nonqualified defined benefit plans were amended to freeze benefit accruals for all persons entitled to benefits under the plans in 2016. We will continue recording pension expense related to these plans, primarily representing interest costs on the accumulated benefit obligation and amortization of actuarial losses accumulated in the plans, as well as income from expected investment returns on pension assets. Since the plans have been frozen, no service costs are included in net periodic pension expense.

The defined benefit plan of DNB was merged into S&T's defined benefit plan at November 30, 2019 and the components of net periodic pension cost at September 30, 2020 include the impact of the addition of the DNB defined benefit plan.

The investment policy for S&T's defined benefit plan is 90 percent fixed income and 10 percent equity and cash. The expected long-term rate of return on plan assets is 3.45 percent compared to 4.80 percent in prior periods.

We contributed $0.1 million to our pension plan during the three and nine months ended September 30, 2020.

We remeasured our pension obligation and recognized a pension settlement charge of $0.7 million for the three and nine months ended September 30, 2020. A settlement charge is incurred when the aggregate amount of lump-sum distributions during the year is greater than the sum of the interest cost component of the annual net periodic pension cost.

The following table summarizes the components of net periodic pension cost for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2020**	**2019**	**2020**	**2019**
Components of Net Periodic Pension Cost				
Interest cost on projected benefit obligation	$ 905	$ 989	$ 2,686	$ 2,967
Expected return on plan assets	(970)	(1,181)	(2,913)	(3,541)
Net amortization	411	395	1,180	1,184
Settlement Charge	671	—	671	—
Net Periodic Pension Expense	**$ 1,017**	**$ 203**	**$ 1,624**	**$ 610**

The components of net periodic pension expense are included in salaries and employee benefits on the Consolidated Statements of Comprehensive Income.

NOTE 14. QUALIFIED AFFORDABLE HOUSING

As part of our responsibilities under the Community Reinvestment Act and due to their favorable federal income tax benefits, we invest in Low Income Housing partnerships, or LIHPs. As a limited partner in these operating partnerships, we receive tax credits and tax deductions for losses incurred by the underlying properties. We use the cost method to account for these partnerships. These investments are recorded in other assets on our balance sheet. Our maximum exposure to loss associated with these investments consists of the investments' fair value plus any unfunded commitments as well as the denial of the tax credits if the project is deemed non-compliant. We do not have any loss reserves recorded related to these investments because we believe the likelihood of any loss to be remote. Our investments in LIHPs represent unconsolidated variable interest entities, or VIEs, and the assets and liabilities of the partnerships are not recorded on our balance sheet. We have determined that we are not the primary beneficiary of these VIEs because we do not have the power to direct the activities that most significantly impact their economic performance.

Our total investment in qualified affordable housing projects was $8.9 million at September 30, 2020 and $4.8 million at December 31, 2019. Amortization expense, included in other noninterest expense in the Consolidated Statements of Comprehensive Income, was $0.5 million and $2.8 million for the three and nine months ended September 30, 2020 and $0.7 million and $2.0 million for the three and nine months ended September 30, 2019. The amortization expense was offset by tax credits of $0.6 million and $1.7 million for the three and nine months ended September 30, 2020 and $0.7 million and $2.2 million for the three and nine months ended September 30, 2019 as a reduction to our federal tax provision.

On September 11, 2019, we entered into a new qualified affordable housing project and committed to an investment of $10.2 million. As of September 30, 2020, we have invested $7.1 million in this new project. No amortization expense or tax credits will be recognized for this new project until complete, which we expect to be in the first quarter of 2021.

NOTE 15. SHARE REPURCHASE PLAN

On September 16, 2019, our Board of Directors authorized a $50 million share repurchase plan. This repurchase authorization, which is effective through March 31, 2021, permits S&T to repurchase from time to time up to $50 million in aggregate value of shares of S&T's common stock through a combination of open market and privately negotiated repurchases. The specific timing, price and quantity of repurchases will be at the discretion of S&T and will depend on a variety of factors, including general market conditions, the trading price of common stock, legal and contractual requirements, applicable securities laws and S&T's financial performance. The repurchase plan does not obligate us to repurchase any particular number of shares. We expect to fund any repurchases from cash on hand and internally generated funds. During the three months ended September 30, 2020, we had no repurchases. During the nine months ended September 30, 2020, we repurchased 411,430 common shares at a total cost of $12.6 million, or an average of $30.52 per share. Repurchase activity was suspended in March of 2020 due to the impact of the COVID-19 pandemic.

S&T BANCORP, INC. AND SUBSIDIARIES
Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, represents an overview of our consolidated results of operations and financial condition and highlights material changes in our financial condition and results of operations at and for the three and nine month periods ended September 30, 2020 and 2019. Our MD&A should be read in conjunction with our Consolidated Financial Statements and Notes. The results of operations reported in the accompanying Consolidated Financial Statements are not necessarily indicative of results to be expected in future periods.

Important Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains or incorporates statements that we believe are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally relate to our financial condition, results of operations, plans, objectives, outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting S&T and its future business and operations. Forward-looking statements are typically identified by words or phrases such as "will likely result", "expect", "anticipate", "estimate", "forecast", "project", "intend", " believe", "assume", "strategy", "trend", "plan", "outlook", "outcome", "continue", "remain", "potential", "opportunity", "believe", "comfortable", "current", "position", "maintain", "sustain", "seek", "achieve" and variations of such words and similar expressions, or future or conditional verbs such as will, would, should, could or may. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. The matters discussed in these forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results and trends to differ materially from those made, projected, or implied in or by the forward-looking statements depending on a variety of uncertainties or other factors including, but not limited to: credit losses and the credit risk of our commercial and consumer loan products; changes in the level of charge-offs and changes in estimates of the adequacy of the allowance for credit losses; cyber-security concerns; rapid technological developments and changes; operational risks or risk management failures by us or critical third parties, including fraud risk; our ability to manage our reputational risks; sensitivity to the interest rate environment including a prolonged period of low interest rates, a rapid increase in interest rates or a change in the shape of the yield curve; a change in spreads on interest-earning assets and interest-bearing liabilities; regulatory supervision and oversight, including changes in regulatory capital requirements and our ability to address those requirements; unanticipated changes in our liquidity position; changes in accounting policies, practices, or guidance, for example, our adoption of CECL; legislation affecting the financial services industry as a whole, and S&T, in particular; the outcome of pending and future litigation and governmental proceedings; increasing price and product/service competition; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; managing our internal growth and acquisitions; the possibility that the anticipated benefits from acquisitions, including DNB, cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or costly than anticipated; containing costs and expenses; reliance on significant customer relationships; an interruption or cessation of an important service by a third-party provider; our ability to attract and retain talented executives and employees; general economic or business conditions, including the strength of regional economic conditions in our market area; the duration and severity of the coronavirus ("COVID-19") pandemic, both in our principal area of operations and nationally, including the ultimate impact of the pandemic on the economy generally and on our operations; deterioration of the housing market and reduced demand for mortgages; deterioration in the overall macroeconomic conditions or the state of the banking industry that could warrant further analysis of the carrying value of goodwill and could result in an adjustment to its carrying value resulting in a non-cash charge to net income; the stability of our core deposit base and access to contingency funding; re-emergence of turbulence in significant portions of the global financial and real estate markets that could impact our performance, both directly, by affecting our revenues and the value of our assets and liabilities, and indirectly, by affecting the economy generally and access to capital in the amounts, at the times and on the terms required to support our future businesses.

Many of these factors, as well as other factors, are described in our Annual Report on Form 10-K for the year ended December 31, 2019, including Part I, Item 1A-"Risk Factors" and any of our subsequent filings with the SEC. Forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. We caution you not to unduly rely on forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. Any forward-looking statement speaks only as to the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

Critical Accounting Policies and Estimates

Our critical accounting policies involving significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of September 30, 2020 have remained unchanged from the disclosures presented in our Annual Report on Form 10-K for the year ended December 31, 2019 under Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" except for we have updated our allowance for credit losses policy in response to the adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and our goodwill and other intangible assets policy in response to the adoption of ASU 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.

Allowance for Credit Losses

The ACL is a valuation reserve established and maintained by charges against operating income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The ACL for homogeneous loans is calculated using a life-time loss rate methodology with both a quantitative and a qualitative analysis that is applied on a quarterly basis. The ACL model is comprised of six distinct portfolio segments: 1) Construction, 2) Commercial Real Estate, or CRE, 3) Commercial and Industrial, or C&I, 4) Business Banking, 5) Consumer Real Estate and 6) Other Consumer. Each segment has a distinct set of risk characteristics monitored by management. We further evaluate the ACL at a disaggregated level which includes type of collateral and our internal risk rating system for the commercial segments and type of collateral, lien position, and FICO score, for the consumer segments. Historical credit loss experience is the basis for the estimation of expected credit losses. We apply historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on the unemployment forecast and management judgment. For periods beyond which we are able to develop reasonable and supportable forecasts, we revert to the historical loss rate. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the bank's loan review system, value of underlying collateral, the existence of and changes in concentrations and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve. A similar process is employed to calculate a reserve assigned to off-balance sheet commitments, specifically unfunded loan commitments and letters of credit, and any needed reserve is recorded in other liabilities.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all commercial loans greater than $0.5 million that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, 3) any commercial troubled debt restructuring, or TDR, or any loan reasonably expected to become a TDR whether on accrual or nonaccrual status and 4) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the recorded investment in the loan balance.

Although we believe our process for determining the ACL appropriately considers all the factors that would likely result in credit losses, the process includes subjective elements and may be susceptible to significant change. To the extent actual losses are higher than management estimates, additional provision for credit losses could be required and could adversely affect our earnings or financial position in future periods.

Goodwill and Other Intangible Assets

As a result of acquisitions, we have recorded goodwill and identifiable intangible assets in our Consolidated Balance Sheets. Goodwill represents the excess of the purchase price over the fair value of net assets acquired.

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

The carrying value of goodwill is tested annually for impairment each October 1st or more frequently if it is determined that a triggering event has occurred. We completed the annual goodwill impairment assessment as required in 2019, 2018 and 2017. The results indicated that the fair value exceeded the carrying value; as such, no impairment charge was recognized.

Determining the fair value of a reporting unit, under the goodwill impairment test is judgmental and often involves the use of significant estimates and assumptions. Our existing goodwill is allocated entirely to our one reporting unit, Community Banking. On January 1, 2020, we adopted the amendments of ASU 2017-04, Simplifying the Test for Goodwill Impairment. This standard eliminated Step 2 from the goodwill impairment test. We test for impairment by comparing the fair value of our Community Banking reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill. We completed an interim goodwill impairment assessment in the third quarter ended September 30, 2020. The results indicated that the fair value exceeded the carrying value; as such, no impairment charge was recognized.

We determine the amount of identifiable intangible assets based upon independent core deposit and insurance contract valuations at the time of acquisition. Intangible assets with finite useful lives, consisting primarily of core deposit and customer list intangibles, are amortized using straight-line or accelerated methods over their estimated weighted average useful lives, ranging from 10 to 20 years. Intangible assets with finite useful lives are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. No such events or changes in circumstances occurred during the years ended December 31, 2019, 2018 and 2017.

The financial services industry and securities markets can be adversely affected by declining values. If economic conditions result in a prolonged period of economic weakness in the future, our business may be adversely affected. In the event that we determine that our goodwill is impaired, recognition of an impairment charge could have a significant adverse impact on our financial position or results of operations in the period in which the impairment occurs.

Overview

We are a bank holding company that is headquartered in Indiana, Pennsylvania with assets of $9.2 billion at September 30, 2020. We operate in five markets including Western Pennsylvania, Eastern Pennsylvania, Northeast Ohio, Central Ohio and Upstate New York.

We provide a full range of financial services with retail and commercial banking products, cash management services, trust and brokerage services. Our common stock trades on the NASDAQ Global Select Market under the symbol "STBA".

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

Our mission is to become the financial services provider of choice within the markets that we serve which will enable us to be a high performing regional community bank. We strive to do this by delivering exceptional service and value, one customer at a time. Our strategic plan follows a disciplined approach focused on organic growth, which includes both growth within our current footprint and through market expansion. We employ a geographic market-based growth platform in order to drive organic growth. Each of our five markets is led by a Market President who is responsible for developing strategic initiatives specific to each market. We acknowledge that each of our five markets are in different stages of development and that our market-based strategy will allow us to customize our approach to each market given its developmental stage and unique characteristics. We also actively evaluate acquisition opportunities that align with our strategic objectives as another source of growth. Our strategic plan includes a collaborative model that combines expertise from all areas of our business and focuses on satisfying each customer's individual financial objectives. We continuously work to maintain and improve the efficiency of our different lines of business.

We merged with DNB Financial Corporation, or DNB, on November 30, 2019. The merger expanded S&T's footprint in Eastern Pennsylvania gaining a new presence in the counties of Chester, Delaware and Philadelphia. The merger was valued at

$201.0 million, or $37.72 per share, and added approximately $899.3 million of portfolio loans and $990.6 million of deposits at December 31, 2019.

Three and Nine Months Ended September 30, 2020 Update

During the nine months ended September 30, 2020, we experienced a pre-tax loss of $58.7 million related to a customer fraud resulting from a check kiting scheme. This matter was disclosed in our Form 8-K filed on May 26, 2020. The fraud was perpetrated by a single business customer and the customer has plead guilty in an ongoing criminal investigation. This fraud loss reduced net income by $46.3 million, or $1.19 per diluted share, for the nine months ended September 30, 2020. We continue to pursue all available sources of recovery to mitigate the loss. An internal review of the matter has been completed and various process and monitoring enhancements have been substantially implemented. The customer also had a lending relationship that was originally $15.1 million, including a $14.3 million commercial real estate, or CRE, loan and a $0.8 million line of credit. We recognized a $4.2 million charge-off related to this lending relationship during the three months ended June 30, 2020. A specific reserve of $3.4 million was recognized in the three months ended September 30, 2020 based upon new liens identified against the collateral. The remaining balance of $10.9 million is a nonperforming loan at September 30, 2020.

As we navigate through the uncertainty resulting from the COVID-19 pandemic, our first priority is the safety of both our employees and customers. Our financial performance has been negatively impacted in many ways due to the COVID-19 pandemic. We are closely monitoring our asset quality with a focus on the portfolios that have been significantly impacted by the COVID-19 pandemic, including our hotel portfolio. We have increased our ACL to be responsive to this additional risk within our loan portfolio. Our balance sheet is asset sensitive so we have experienced a negative impact to our net interest income and net interest margin, or NIM, in this low interest rate environment. Our net interest income is also being impacted by declining loan balances as new loan originations have decreased in the current environment. Our noninterest income has also been negatively impacted due to changes in our customers' behavior during these times which has been somewhat mitigated by strong mortgage banking income due to significant refinance activity. We are taking a prudent approach to capital management given the economic uncertainty. Our internally-run capital stress test results demonstrate that we have adequate capital cushions. We are well capitalized and we believe that we have sufficient excess capital to manage the uncertainty resulting from the COVID-19 pandemic.

In response to the current economic environment as a result of the COVID-19 pandemic, we completed an interim quantitative goodwill impairment analysis as of September 30, 2020. Based upon our impairment analysis, we determined that our goodwill of $373.4 million was not impaired at September 30, 2020. We expect to evaluate goodwill for impairment quarterly given the current environment.

COVID-19 Update

S&T is monitoring the impact of the COVID-19 pandemic and has taken steps to mitigate the potential risks and impact on S&T and to promote the health and safety of our employees, and the customers and communities that we serve. We have taken preventive health measures for our employees through rigorous sanitation, social distancing, wearing masks, remote work where feasible and providing access to financial wellness programs. We reopened our branches with extensive safety measures and are encouraging our customers to use online and mobile banking solutions. We have also extended our solution center hours to allow for customer consultation without entering a branch. Our Business Continuity teams were activated and have guided our efforts to respond to the rapidly developing situation.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security, or CARES Act was signed into law. It contained substantial tax and spending provisions intended to address the impact of the COVID-19 pandemic. The CARES Act included the Paycheck Protection Program, or PPP, a $349 billion program designed to aid small and medium sized businesses through federally guaranteed loans distributed through banks. The Paycheck Protection Program and Health Care Enhancement Act, or PPP/HCEA, was signed into law on April 24, 2020. The PPP/HCEA authorized an additional $310 billion of funding under the CARES Act for PPP loans among other provisions. On July 4, 2020, legislation was passed to extend the application period for the PPP program through August 8, 2020. These loans are intended to cover eight weeks of payroll and other permitted expenses to help those businesses remain viable.

As of September 30, 2020, we originated $550.1 million of PPP loans. PPP loans are forgivable, in whole or in part, if the proceeds are used for payroll and other permitted expenses in accordance with the requirements of the PPP. These loans carry a fixed rate of 1.00 percent and a term of two years, or five years for loans approved by the Small Business Administration, or SBA, on or after June 5, 2020. Payments are deferred for at least six months of the loan. The loans are 100 percent guaranteed by the SBA.

The extent to which COVID-19 may adversely impact our business depends on future developments, which are highly uncertain and unpredictable. The COVID-19 pandemic has had, and we expect that it will continue to have, negative impacts on

S&T's commercial and consumer loan customers and the economy as a whole. The pandemic caused, among other things, an increase in the provision for credit losses, a higher ACL as a percentage of total portfolio loans for each of the quarters ended in 2020 compared to December 31, 2019, and exclusive of the increase in portfolio loans due to the PPP portfolio, a decrease in portfolio loans compared to December 31, 2019. The severity and length of the COVID-19 pandemic's impact on S&T and the U.S. and global economies continue to be unknown.

In order to assist our customers through this difficult period, we have provided the following assistance, which may have an adverse impact on our results in the short term, but which we believe will provide better outcomes in the long term for our customers and for S&T:

- We provided needs-based payment deferrals and modifications to interest only periods to commercial loans totaling $1.4 billion at September 30, 2020. Only $350.0 million remain on deferral at September 30, 2020.
- We provided loan payment deferrals, with no negative credit bureau reporting, to mortgage and consumer loans totaling $69.0 million at September 30, 2020. No loans remain on deferral at September 30, 2020.
- We paused foreclosures/repossessions for mortgages and consumer loans.

Earnings Summary

We recognized net income of $16.7 million, or $0.43 per diluted share for the three months ended September 30, 2020 and a net loss of ($3.1) million, or ($0.08) per diluted share for the nine months ended September 30, 2020. The decrease in net income for the three months ended September 30, 2020 of $10.2 million, or 38.0 percent, compared to $26.9 million, or $0.79 per diluted share, in the same period of 2019 was primarily due to an increase of $12.6 million in our provision for credit losses mainly related to the COVID-19 pandemic and an increase of $10.6 million in noninterest expense offset by iniax expense. The decrease in net income for the nine months ended September 30, 2020 of $79.1 million to a ($3.1) million net loss compared to $76.0 million of net income, or $2.21 per diluted share, in the same period of 2019 was primarily the result of the $58.7 million pre-tax fraud loss recognized in the second quarter of 2020 which reduced net income by $46.3 million, or $1.19 per diluted share. The $79.1 million decrease in net income for the nine months ended September 30, 2020 compared to the same period in 2019 included an increase of $111.5 million in the provision for credit losses, due to the above mentioned fraud loss and the impact of COVID-19, an increase of $21.2 million in noninterest expense offset by increases of $27.1 million in net interest income and $6.8 million in noninterest income and a decrease of $19.7 million in the provision for income taxes.

Net interest income increased $8.1 million and $27.1 million to $69.3 million and $209.5 million for the three and nine months ended September 30, 2020 compared to $61.2 million and $182.4 million for the same periods in 2019. The increases were primarily due to higher average interest-earning assets offset by lower short-term interest rates compared to the same periods in 2019. Average interest-earning assets increased $1.7 billion and $1.6 billion for the three and nine months ended September 30, 2020 compared to the same periods in 2019. Average loan balances increased $1.4 billion for both the three and nine months ended September 30, 2020 compared to the same periods in 2019 due to the DNB merger, PPP loans and organic loan growth. Average interest-bearing liabilities increased $905.8 million and $1.0 billion for the three and nine months ended September 30, 2020 compared to the same periods in 2019 due to the DNB merger and organic deposit growth. Net interest margin, on a fully taxable-equivalent, or FTE, basis (non-GAAP), decreased 33 and 30 basis points to 3.29 percent and 3.37 percent for the three and nine months ended September 30, 2020 compared to 3.62 percent and 3.67 percent for the same periods in 2019 due to the decline in short-term interest rates during 2020. Net interest margin is reconciled to net interest income adjusted to an FTE basis below in the "Net Interest Income" section of this MD&A.

The provision for credit losses, which includes a provision for losses on unfunded commitments, increased $12.6 million and $111.5 million to $17.5 million and $124.3 million for the three and nine months ended September 30, 2020 compared to $4.9 million and $12.8 million in the same periods in 2019. The significant increase in the provision for credit losses during the three and nine months ended September 30, 2020 was mainly due to a $58.7 million charge-off that occurred in the three months ended June 30, 2020 that was the result of customer fraud, a $10.1 million charge-off related to a CRE relationship in the three months ended September 30, 2020 and the impact of the COVID-19 pandemic in both periods. For the three and nine months ended September 30, 2020, we had net charge-offs of $12.9 million and $92.1 million compared to net charge-offs of $4.3 million and $11.6 million for the same periods in 2019. Annualized net loan charge-offs to average loans were 0.69 percent and 1.66 percent for the three and nine months ended September 30, 2020 compared to 0.28 percent and 0.26 percent for the same periods in 2019.

Noninterest income increased $3.4 million and $6.8 million to $16.5 million and $44.1 million for the three and nine months ended September 30, 2020 compared to $13.1 million and $37.3 million for the same periods in 2019. Total noninterest income includes the impact of the DNB merger in both the three and nine months ended September 30, 2020 since the merger closed on November 30, 2019. Our noninterest income has been negatively impacted due to changes in our customers' behavior

since the COVID-19 pandemic. The increase in noninterest income primarily related to an increase of $3.4 million and $6.1 million in mortgage banking fees for the three and nine months ended September 30, 2020 due to an increase in the volume of loans originated for sale in the secondary market due to a decline in mortgage rates compared to the same periods in 2019.

Noninterest expense increased $10.6 million and $21.2 million to $48.2 million and $138.1 million in three and nine months ended September 30, 2020 compared to $37.7 million and $116.9 million in the same periods in 2019. Total noninterest expense includes the impact of the DNB merger in both the three and nine months ended September 30, 2020 since the merger closed on November 30, 2019. FDIC insurance increased $2.6 million and $3.2 million for the three and nine months ended September 30, 2020 due to the impact of recent results on certain components of the assessment calculation, such as our net loss in the second quarter of 2020, and also due to Small Bank Assessment Credits that were received by all banking institutions with assets of less than $10.0 billion in the three months ended September 30, 2019 that were not received in 2020. Salaries and employee benefits increased $4.6 million for the three months and $6.2 million for the nine months primarily due to additional employees, mainly related to the merger, and higher pension expense due to an increase in retirees electing lump-sum distributions causing settlement accounting.

The provision for income taxes decreased $1.4 million to a $3.3 million tax expense for the three months ended September 30, 2020 and decreased $19.7 million to a $5.7 million tax benefit for the nine months ended September 30, 2020 compared to the same periods in 2019. Pretax income decreased $11.7 million for the three months ended September 30, 2020 and decreased $98.8 million for the nine months ended September 30, 2020 resulting in a pretax loss. The pretax loss was primarily due to the $58.7 million loss recognized in the quarter ended June 30, 2020 resulting from customer fraud. Our effective tax rate was 16.6 percent for the three months ended September 30, 2020 and changed to a 64.5 percent benefit for the nine months ended September 30, 2020 compared to 15.0 percent and 15.6 percent for the same periods in 2019. The change in our effective tax rate for the nine months ended September 30, 2020 was primarily due to the pretax loss.

Explanation of Use of Non-GAAP Financial Measures

In addition to the results of operations presented in accordance with generally accepted accounting principles, or GAAP, in the United States, management uses, and this quarterly report references, net interest income and net interest margin on a fully taxable equivalent, or FTE, basis, which are non-GAAP financial measures. Management believes net interest income and net interest margin on an FTE basis provide information useful to investors in understanding our underlying business, operational performance and performance trends as they facilitate comparisons with the performance of other companies in the financial services industry. Although management believes that these non-GAAP financial measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered alternatives to GAAP or considered to be more important than financial results determined in accordance with GAAP, nor are they necessarily comparable with non-GAAP measures which may be presented by other companies.

We believe the presentation of net interest income and net interest margin on an FTE basis ensures the comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice. Interest income (GAAP) per the Consolidated Statements of Comprehensive Income is reconciled to net interest income adjusted on an FTE basis and net interest margin adjusted on an FTE basis in the "Results of Operations - Three and Nine Months Ended September 30, 2020 Compared to Three and Nine Months Ended September 30, 2019 - Net Interest Income" section of this MD&A.

RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2020 Compared to Three and Nine Months Ended September 30, 2019

Net Interest Income

Our principal source of revenue is net interest income. Net interest income represents the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the average balance of interest-earning assets and interest-bearing liabilities and changes in interest rates and spreads. The level and mix of interest-earning assets and interest-bearing liabilities is managed by our ALCO, in order to mitigate interest rate and liquidity risks of the balance sheet. A variety of ALCO strategies were implemented, within prescribed ALCO risk parameters, to produce what we believe is an acceptable level of net interest income.

The interest income on interest-earning assets and the net interest margin are presented on an FTE basis. The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and securities using the federal statutory tax rate of 21 percent for each period and the dividend-received deduction for equity securities. We believe this to be the preferred industry

measurement of net interest income that provides a relevant comparison between taxable and non-taxable sources of interest income.

The following table reconciles interest income per the Consolidated Statements of Comprehensive Income to net interest income and rates on an FTE basis for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30, 2020	
(dollars in thousands)	**2020**	**2019**	**2020**	**2019**
Total interest income	$ 76,848	$ 79,813	$ 244,916	$ 238,028
Total interest expense	7,572	18,617	35,456	55,649
Net Interest Income per Consolidated Statements of Comprehensive Income	69,276	61,196	209,460	182,379
Adjustment to FTE basis	780	935	2,477	2,854
Net Interest Income on an FTE Basis (Non-GAAP)	**$ 70,056**	**$ 62,131**	**$ 211,937**	**$ 185,233**
Net interest margin	3.25 %	3.57 %	3.33 %	3.61 %
Adjustment to FTE basis	0.04 %	0.05 %	0.04 %	0.06 %
Net Interest Margin on an FTE Basis (Non-GAAP)	**3.29 %**	**3.62 %**	**3.37 %**	**3.67 %**

Income amounts are annualized for rate calculations.

Average Balance Sheet and Net Interest Income Analysis (FTE)

The following tables provide information regarding the average balances, interest and rates earned on interest-earning assets and the average balances, interest and rates paid on interest-bearing liabilities for the periods presented:

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
(dollars in thousands)	Average Balance	Interest	Rate	Average Balance	Interest	Rate
ASSETS						
Interest-bearing deposits with banks	$ 213,051	$ 61	0.11 %	$ 53,725	$ 311	2.32 %
Securities, at fair value[2][3]	759,094	4,570	2.41 %	661,752	4,287	2.59 %
Loans held for sale	4,432	34	3.09 %	2,712	27	3.98 %
Commercial real estate	3,322,656	33,569	4.02 %	2,922,767	35,993	4.89 %
Commercial and industrial	2,107,750	18,300	3.45 %	1,566,369	19,994	5.06 %
Commercial construction	469,214	4,047	3.43 %	282,175	3,653	5.14 %
Total Commercial Loans	**5,899,620**	**55,916**	**3.77 %**	**4,771,311**	**59,640**	**4.96 %**
Residential mortgage	954,861	10,365	4.33 %	753,649	8,339	4.41 %
Home equity	536,735	5,037	3.73 %	469,567	6,345	5.36 %
Installment and other consumer	79,649	1,295	6.47 %	72,606	1,299	7.10 %
Consumer construction	14,475	157	4.32 %	11,056	150	5.39 %
Total Consumer Loans	**1,585,720**	**16,854**	**4.24 %**	**1,306,878**	**16,133**	**4.91 %**
Total Portfolio Loans	**7,485,340**	**72,770**	**3.87 %**	**6,078,189**	**75,773**	**4.95 %**
Total Loans[1][2]	**7,489,772**	**72,804**	**3.87 %**	**6,080,901**	**75,800**	**4.95 %**
Federal Home Loan Bank and other restricted stock	15,157	193	5.11 %	19,981	350	7.00 %
Total Interest-earning Assets	**8,477,074**	**77,628**	**3.65 %**	**6,816,359**	**80,748**	**4.70 %**
Noninterest-earning assets	815,930			538,514		
Total Assets	**$ 9,293,004**			**$ 7,354,873**		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing demand	$ 967,735	$ 434	0.18 %	$ 655,735	$ 1,195	0.72 %
Money market	2,074,862	1,713	0.33 %	1,709,248	7,880	1.83 %
Savings	923,208	162	0.07 %	749,287	449	0.24 %
Certificates of deposit	1,486,016	4,317	1.16 %	1,345,474	6,683	1.97 %
Total Interest-bearing Deposits	**5,451,821**	**6,626**	**0.48 %**	**4,459,744**	**16,207**	**1.44 %**
Securities sold under repurchase agreements	64,000	41	0.25 %	14,030	26	0.73 %
Short-term borrowings	84,310	81	0.38 %	218,799	1,362	2.47 %
Long-term borrowings	49,269	311	2.52 %	69,421	468	2.68 %
Junior subordinated debt securities	64,057	513	3.19 %	45,619	554	4.82 %
Total Borrowings	**261,636**	**946**	**1.44 %**	**347,869**	**2,410**	**2.75 %**
Total Interest-bearing Liabilities	**5,713,457**	**7,572**	**0.53 %**	**4,807,613**	**18,617**	**1.54 %**
Noninterest-bearing liabilities	2,433,665			1,573,549		
Shareholders' equity	1,145,882			973,711		
Total Liabilities and Shareholders' Equity	**$ 9,293,004**			**$ 7,354,873**		
Net Interest Income [2][3]		**$ 70,056**			**$ 62,131**	
Net Interest Margin [2][3]			**3.29 %**			**3.62 %**

[1] Nonaccruing loans are included in the daily average loan amounts outstanding.
[2] Tax-exempt income is on an FTE basis (non-GAAP) using the statutory federal corporate income tax rate of 21 percent for 2020 and 2019.
[3] Taxable investment income is adjusted for the dividend-received deduction for equity securities.

S&T BANCORP, INC. AND SUBSIDIARIES
Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
(dollars in thousands)	Average Balance	Interest	Rate	Average Balance	Interest	Rate
ASSETS						
Interest-bearing deposits with banks	$ 158,771	$ 449	0.38 %	$ 52,421	$ 937	2.38 %
Securities, at fair value[2][3]	776,995	14,590	2.50 %	671,727	13,327	2.65 %
Loans held for sale	5,407	129	3.17 %	1,693	52	4.11 %
Commercial real estate	3,373,466	109,278	4.33 %	2,907,792	108,115	4.97 %
Commercial and industrial	2,020,179	57,771	3.82 %	1,544,962	59,414	5.14 %
Commercial construction	428,977	12,562	3.91 %	258,239	10,207	5.28 %
Total Commercial Loans	**5,822,622**	**179,611**	**4.12 %**	**4,710,993**	**177,736**	**5.04 %**
Residential mortgage	974,144	30,934	4.24 %	736,972	24,462	4.43 %
Home equity	540,220	16,530	4.09 %	466,936	18,880	5.41 %
Installment and other consumer	79,757	3,942	6.60 %	71,021	3,807	7.17 %
Consumer construction	12,587	423	4.49 %	10,517	443	5.63 %
Total Consumer Loans	**1,606,708**	**51,829**	**4.31 %**	**1,285,446**	**47,592**	**4.95 %**
Total Portfolio Loans	**7,429,330**	**231,440**	**4.16 %**	**5,996,439**	**225,328**	**5.02 %**
Total Loans[1][2]	**7,434,737**	**231,569**	**4.16 %**	**5,998,132**	**225,380**	**5.02 %**
Federal Home Loan Bank and other restricted stock	19,473	785	5.38 %	21,848	1,237	7.55 %
Total Interest-earning Assets	**8,389,976**	**247,393**	**3.94 %**	**6,744,128**	**240,881**	**4.77 %**
Noninterest-earning assets	772,404			526,788		
Total Assets	**$ 9,162,380**			**$ 7,270,916**		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing demand	$ 981,174	$ 2,425	0.33 %	$ 584,280	$ 2,378	0.54 %
Money market	2,048,466	10,610	0.69 %	1,658,187	23,341	1.88 %
Savings	880,673	801	0.12 %	760,128	1,406	0.25 %
Certificates of deposit	1,549,177	17,355	1.50 %	1,389,658	20,118	1.94 %
Total Interest-bearing Deposits	**5,459,490**	**31,191**	**0.76 %**	**4,392,253**	**47,243**	**1.44 %**
Securities sold under repurchase agreements	60,045	137	0.30 %	17,812	83	0.63 %
Short-term borrowings	182,623	1,392	1.02 %	259,947	5,149	2.65 %
Long-term borrowings	50,292	950	2.52 %	69,886	1,461	2.79 %
Junior subordinated debt securities	64,099	1,786	3.72 %	45,619	1,712	5.02 %
Total Borrowings	**357,059**	**4,265**	**1.60 %**	**393,264**	**8,405**	**2.86 %**
Total Interest-bearing Liabilities	**5,816,549**	**35,456**	**0.81 %**	**4,785,517**	**55,648**	**1.55 %**
Noninterest-bearing liabilities	2,170,447			1,528,573		
Shareholders' equity	1,175,384			956,826		
Total Liabilities and Shareholders' Equity	**$ 9,162,380**			**$ 7,270,916**		
Net Interest Income [2][3]		**$ 211,937**			**$ 185,233**	
Net Interest Margin [2][3]			**3.37 %**			**3.67 %**

[1] Nonaccruing loans are included in the daily average loan amounts outstanding.
[2] Tax-exempt income is on an FTE basis (non-GAAP) using the statutory federal corporate income tax rate of 21 percent for 2020 and 2019.
[3] Taxable investment income is adjusted for the dividend-received deduction for equity securities.

Net interest income on an FTE basis (non-GAAP) increased $7.9 million and $26.7 million for the three and nine months ended September 30, 2020 compared to the same periods in 2019. Net interest income was favorably impacted by purchase accounting fair value adjustments of $0.8 million and $3.5 million for the three and nine months ended September 30, 2020. The net interest margin on an FTE basis (non-GAAP) decreased 33 and 30 basis points for the three and nine months ended September 30, 2020 compared to the same periods in 2019. This is mostly due to decreases in short-term interest rates of approximately 225 basis points. Purchase accounting fair value adjustments favorably impacted the net interest margin rate on an FTE basis by 4 and 6 basis points for the three and nine months ended September 30, 2020. PPP loans negatively impacted the net interest margin on an FTE basis by 7 and 4 basis points for the three and nine months ended September 30, 2020.

Interest income on an FTE basis (non-GAAP) decreased $3.1 million, or 3.9 percent, for the three months ended September 30, 2020 and increased $6.5 million, or 2.7 percent, for the nine months ended September 30, 2020, compared to the same periods in 2019. The changes were primarily due to increases in average interest-earning assets of $1.7 billion and $1.6 billion for the three and nine months ended September 30, 2020 offset by lower short-term interest rates compared to the same periods in 2019. Average loan balances increased $1.4 billion for both the three-month and nine-month periods ended September 30, 2020 compared to the same periods in 2019 due to the DNB merger and organic loan growth. PPP loans contributed $549.3 million and $333.7 million of the three month and nine month average increase in loans. The average rate earned on loans decreased 108 basis points and 86 basis points for the three and nine months compared to the same periods in 2019 primarily due to lower short-term interest rates. Average interest-bearing deposits with banks increased $159.3 million for the three-months and $106.4 million for the nine-months and the average rate earned decreased 221 and 200 basis points compared to the same periods in 2019. Average investment securities increased $97.3 million for the three months and $105.3 million for the nine months and the average rate earned decreased 18 and 15 basis points compared to the same periods in 2019. Overall, the FTE rate on interest-earning assets (non-GAAP) decreased 105 and 83 basis points for the three and nine months ended September 30, 2020 compared to the same periods in 2019.

Interest expense decreased $11.0 million and $20.2 million for the three and nine months ended September 30, 2020 compared to the same periods in 2019. The decreases were primarily due to lower short-term interest rates compared to the same periods in 2019. Average interest-bearing deposits increased $992.1 million and $1.1 billion for the three and nine months ended September 30, 2020 compared to the same periods in 2019 due to the DNB merger and organic deposit growth. We experienced deposit growth throughout 2020 due to customer PPP loans and stimulus payments along with customers conservatively holding cash deposits in these uncertain times. The average rate paid decreased 96 and 68 basis points compared to the same periods in 2019 primarily due to lower short-term interest rates. Average total borrowings decreased $86.2 million and $36.2 million and the average rate paid decreased 131 and 126 basis points compared to the same periods in 2019. Overall, the cost of interest-bearing liabilities decreased 101 and 74 basis points for the three and nine months ended September 30, 2020, compared to the same periods in 2019.

The following table sets forth for the periods presented a summary of the changes in interest earned and interest paid resulting from changes in volume and changes in rates:

	Three Months Ended September 30, 2020 Compared to September 30, 2019			Nine Months Ended September 30, 2020 Compared to September 30, 2019		
(dollars in thousands)	Volume [4]	Rate [4]	Total	Volume [4]	Rate [4]	Total
Interest earned on:						
Interest-bearing deposits with banks	$ 924	$ (1,174)	$ (250)	$ 1,901	$ (2,389)	$ (488)
Securities, at fair value[2][3]	631	(348)	283	2,088	(825)	1,263
Loans held for sale	17	(10)	7	115	(38)	77
Commercial real estate	4,924	(7,348)	(2,424)	17,314	(16,151)	1,163
Commercial and industrial	6,910	(8,604)	(1,694)	18,275	(19,918)	(1,643)
Commercial construction	2,422	(2,028)	394	6,749	(4,394)	2,355
Total Commercial Loans	14,256	(17,980)	(3,724)	42,338	(40,463)	1,875
Residential mortgage	2,226	(200)	2,026	7,872	(1,400)	6,472
Home equity	908	(2,216)	(1,308)	2,964	(5,314)	(2,350)
Installment and other consumer	126	(130)	(4)	468	(333)	135
Consumer construction	47	(40)	7	87	(107)	(20)
Total Consumer Loans	3,307	(2,586)	721	11,391	(7,154)	4,237
Total Portfolio Loans	17,563	(20,566)	(3,003)	53,729	(47,617)	6,112
Total Loans [1][2]	**17,580**	**(20,576)**	**(2,996)**	**53,844**	**(47,655)**	**6,189**
Federal Home Loan Bank and other restricted stock	(84)	(73)	(157)	(135)	(317)	(452)
Change in Interest Earned on Interest-earning Assets	**19,051**	**(22,171)**	**(3,120)**	**57,698**	**(51,186)**	**6,512**
Interest paid on:						
Interest-bearing demand	$569	($1,330)	($761)	$1,615	($1,568)	$47
Money market	1,686	(7,853)	(6,167)	5,494	(18,225)	(12,731)
Savings	104	(391)	(287)	223	(828)	(605)
Certificates of deposit	698	(3,064)	(2,366)	2,309	(5,072)	(2,763)
Total Interest-bearing Deposits	**3,057**	**(12,638)**	**(9,581)**	**9,641**	**(25,693)**	**(16,052)**
Securities sold under repurchase agreements	92	(77)	15	198	(144)	54
Short-term borrowings	(837)	(444)	(1,281)	(1,532)	(2,225)	(3,757)
Long-term borrowings	(136)	(21)	(157)	(410)	(101)	(511)
Junior subordinated debt securities	224	(265)	(41)	694	(620)	74
Total Borrowings	**(657)**	**(807)**	**(1,464)**	**(1,050)**	**(3,090)**	**(4,140)**
Change in Interest Paid on Interest-bearing Liabilities	**2,400**	**(13,445)**	**(11,045)**	**8,591**	**(28,783)**	**(20,192)**
Change in Net Interest Income	**$ 16,651**	**$ (8,726)**	**7,925**	**$ 49,107**	**$ (22,403)**	**26,704**

[1] Nonaccruing loans are included in the daily average loan amounts outstanding.
[2] Tax-exempt income is on an FTE basis (non-GAAP) using the statutory federal corporate income tax rate of 21 percent for 2020 and 2019.
[3] Taxable investment income is adjusted for the dividend-received deduction for equity securities.
[4] Changes to rate/volume are allocated to both rate and volume on a proportionate dollar basis.

Provision for Credit Losses

The provision for credit losses, which includes a provision for losses on unfunded loan commitments, is a charge to earnings to maintain the ACL at a level consistent with management's assessment of expected losses in the loan portfolio at the balance sheet date. The provision for credit losses increased $12.6 million and $111.5 million to $17.5 million and $124.3 million for the three and nine months ended September 30, 2020 compared to $4.9 million and $12.8 million for the same periods in 2019. The provision for credit losses included ($1.8) million and $0.7 million for the reserve for unfunded loan commitments for the three and nine months ended September 30, 2020. The decrease in the in reserve for unfunded loan commitments for the three months ended September 30, 2020 was due to a decrease in the expected loss rates for the construction portfolio.

The significant increase in the provision for credit losses during the three and nine months ended September 30, 2020 was mainly due to a $58.7 million charge-off that occurred in the three months ended June 30, 2020 that was the result of customer fraud, a $10.1 million charge-off related to a CRE relationship in the three months ended September 30, 2020 and the impact of

the COVID-19 pandemic in both periods. Our qualitative reserve changed ($13.5) million and $15.8 million for the three and nine months ended September 30, 2020. Included in these amounts were ($13.3) million for the three months ended and $12.7 million for the nine months ended for the economic forecast and allocations for our hotel and business banking portfolios due to the COVID-19 pandemic. The reduction in qualitative reserve for the three months ended September 30, 2020 was due primarily to an improved economic forecast. Our forecast covers a period of two years and is driven primarily by national unemployment data. We added a $2.0 million ACL to the business banking portfolio during the three months ended September 30, 2020 due to the COVID-19 pandemic.

During the three months ended September 30, 2020, we recognized a charge-off of $10.1 million related to a CRE relationship that plans to cease operations in November of 2020. The relationship experienced continued deterioration as a result of the COVID-19 pandemic. As a result, the loans were charged down to the liquidation value based upon the most recent appraisals. This relationship became a performing TDR in the third quarter of 2019 and then moved to nonperforming in the first quarter of 2020 when the borrower experienced financial deterioration that led to cash flow issues. In the second quarter of 2020, the loan was individually assessed resulting in a $0.6 million specific reserve due to the relationship being under-collateralized.

During the nine months ended September 30, 2020, we recognized a charge-off of $58.7 million related to a customer fraud resulting from a check kiting scheme. The fraud was perpetrated by a single business customer and the customer has plead guilty in an ongoing criminal investigation. We continue to pursue all available sources of recovery to mitigate the loss. The customer also had a lending relationship of $15.1 million, including a $14.3 million CRE loan and a $0.8 million line of credit. $10.9 million of the loans were moved to nonperforming after recognizing a $4.2 million charge-off during the three months ended June 30, 2020. A specific reserve of $3.4 million was recognized in the three months ended September 30, 2020 based upon new liens identified against the collateral.

For the three and nine months ended September 30, 2020, we had net charges-offs of $12.9 million and $92.1 million compared to $4.3 million and $11.6 million for the same periods in 2019. In addition to the $10.1 million charge-off related to the CRE relationship during the three months ended September 30, 2020 and the $58.7 million charge-off from the customer fraud that occurred during the three months ended June 30, 2020, both discussed above, the most significant charge-off for the nine months ended September 30, 2020 was a $9.9 million C&I relationship. We obtained information on the relationship subsequent to filing our Annual Report on Form 10-K for the year ended December 31, 2019, but before the end of the first quarter of 2020; therefore, we recorded a $9.9 million specific reserve in the day one CECL adjustment. The updated information supported a loss existed at January 1, 2020.

Nonperforming loans increased $34.1 million to $84.1 million at September 30, 2020 compared to $50.0 million at September 30, 2019. The significant increase in nonperforming loans primarily related to the addition of a $11.3 million CRE relationship and the $10.9 million related to the customer fraud, both noted above, a $4.9 million CRE relationship and a $4.3 million C&I relationship.

Noninterest Income

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in thousands)	**2020**	**2019**	**$ Change**	**% Change**	**2020**	**2019**	**$ Change**	**% Change**
Net gain on sale of securities	$ —	$ —	$ —	—	$ 142	$ —	$ 142	—
Debit and credit card	4,171	3,475	696	20.0 %	11,264	9,951	1,313	13.2 %
Mortgage banking	3,964	594	3,370	567.3 %	7,823	1,726	6,097	353.2 %
Service charges on deposit accounts	2,820	3,412	(592)	(17.4)%	8,720	9,777	(1,057)	(10.8)%
Wealth management	2,522	2,101	421	20.0 %	7,471	6,210	1,261	20.3 %
Commercial loan swap income	499	1,464	(965)	(65.9)%	3,928	3,147	781	24.8 %
Other	2,507	2,017	490	24.3 %	4,762	6,515	(1,753)	(26.9)%
Total Noninterest Income	**$ 16,483**	**$ 13,063**	**$ 3,420**	**26.2 %**	**$ 44,110**	**$ 37,326**	**$ 6,784**	**18.2 %**

Noninterest income increased $3.4 million to $16.5 million for the three months ended September 30, 2020 and increased $6.8 million to $44.1 million for the nine months ended September 30, 2020 compared to the same periods in 2019. Total noninterest income includes the impact of the DNB merger in the three and nine months ended September 30, 2020 which closed on November 30, 2019. Mortgage banking income increased $3.4 million and $6.1 million for the three and nine months ended September 30, 2020 primarily due to an increase in the volume of loans originated for sale in the secondary market resulting from a decline in mortgage interest rates from the comparable period. Wealth management income increased $0.4 million and $1.3 million for the three and nine months ended September 30, 2020 due to the merger. Other income increased

$0.5 million for the three months and decreased $1.8 million for the nine months ended related to changes in the valuation of our deferred compensation plan, which has a corresponding offset in salaries and employee benefits expense resulting in no impact to net income and the change in value in the equity securities portfolio compared to the prior periods. Also reducing other income for both the three and nine months ended was a $0.5 million credit valuation adjustment for our commercial loan swaps for risk associated with our hotel customers. Commercial loan swap income decreased $1.0 million for the three months and increased $0.8 million for the nine months ended September 30, 2020. Commercial loan swap activity was significant in first quarter of 2020, but activity has declined throughout 2020 due to the COVID-19 pandemic. Service charges on deposit accounts decreased $0.6 million and $1.1 million for the three and nine months ended September 30, 2020 due to reduced activity related to the COVID-19 pandemic.

Noninterest Expense

	Three Months Ended September 30,				Nine Months Ended September 30, 2020			
(dollars in thousands)	**2020**	**2019**	**$ Change**	**% Change**	**2020**	**2019**	**$ Change**	**% Change**
Salaries and employee benefits[(1)]	$ 24,571	$ 19,936	$ 4,635	23.3 %	$ 67,326	$ 61,135	$ 6,191	10.1 %
Data processing and information technology[(1)]	4,218	3,681	537	14.6 %	11,671	10,327	1,344	13.0 %
Net occupancy[(1)]	3,441	2,898	543	18.7 %	10,643	8,883	1,760	19.8 %
Furniture, equipment and software[(1)]	2,440	2,090	350	16.7 %	7,965	6,621	1,344	20.3 %
Professional services and legal[(1)]	1,911	1,054	857	81.3 %	4,890	3,382	1,508	44.6 %
FDIC insurance	1,900	(675)	2,575	(381.5) %	3,718	536	3,182	593.7 %
Marketing[(1)]	1,793	1,062	731	68.8 %	3,883	3,514	369	10.5 %
Other taxes	1,612	1,540	72	4.7 %	4,816	4,182	634	15.2 %
Merger related expenses	—	552	(552)	(100.0) %	2,342	1,171	1,171	100.0 %
Other[(1)]	6,360	5,529	831	15.0 %	20,861	17,187	3,674	21.4 %
Total Noninterest Expense	**$ 48,246**	**$ 37,667**	**$ 10,579**	**28.1 %**	**$ 138,115**	**$ 116,938**	**$ 21,177**	**18.1 %**

[(1)]Excludes Merger related expenses for 2020 amounts only.

Noninterest expense increased $10.6 million to $48.2 million for the three months ended September 30, 2020 and $21.2 million to $138.1 million for the nine months ended September 30, 2020 compared to the same periods in 2019. Total noninterest expense includes the impact of the DNB merger in the three and nine months ended September 30, 2020 which closed on November 30, 2019. Increases in net occupancy expense, furniture, equipment and software, FDIC insurance and other taxes for both the three and nine month periods related to the DNB merger. Further causing the increase in the FDIC insurance of $2.6 million and $3.2 million for the three and nine months ended September 30, 2020 was the impact of recent results on certain components of the assessment calculation, such as our net loss in the second quarter of 2020, and also the Small Bank Assessment Credits that were received by all banking institutions with assets of less than $10.0 billion in the three months ended September 30, 2019 that were not received in 2020. Marketing expense increased $0.7 million for the three months ended September 30, 2020 due to the timing of marketing initiatives and the redesign of our website. Total merger related expenses of $2.3 million for the nine months ended September 30, 2020 included $1.4 million of salaries and employee benefits, $0.4 million for data processing, $0.2 million for professional services and $0.3 million in various other expenses. Other noninterest expense increased during the nine-month period due to higher amortization related to the core deposit intangible asset from the merger and due to historic tax credits for $1.2 million. Salaries and employee benefits increased $4.6 million for the three months and $6.2 million for the nine months primarily due to additional employees, mainly related to the merger, and higher pension expense due to an increase in retirees electing lump-sum distributions causing settlement accounting. Professional services and legal expenses increased $0.9 million for the three months and $1.5 million for the nine months mainly due to higher legal expense. Data processing and information technology increased $0.5 million for the three months and $1.3 million for the nine months due to the annual increase with our third-party data processor and the merger.

Provision for Income Taxes

The provision for income taxes decreased $1.4 million to a $3.3 million tax expense for the three months ended September 30, 2020 and decreased $19.7 million to a $5.7 million tax benefit for the nine months ended September 30, 2020 compared to the same periods in 2019. Pretax income decreased $11.7 million for the three months ended September 30, 2020 and decreased $98.8 million for the nine months ended September 30, 2020 resulting in a pretax loss. The pretax loss was primarily due to the $58.7 million loss recognized in the quarter ended June 30, 2020 resulting from customer fraud.

For the quarter ended September 30, 2020, we utilized the actual effective tax rate to calculate the September 30, 2020 tax provision. The actual effective tax rate is applied when the application of the estimated annual effective tax rate, or EAETR, is impractical because it is not possible to forecast a reliable EAETR for the reporting period. The actual effective tax rate approach treats the year-to-date period as if it is the annual period and determines the income tax expense or benefit on that basis. The use of the actual effective tax rate is more appropriate than the EAETR, at this time, because small changes in estimated ordinary pretax income result in significant changes in the EAETR. Our effective tax rate was 16.6 percent for the three months ended September 30, 2020 and changed to a 64.5 percent benefit for the nine months ended September 30, 2020 compared to 15.0 percent and 15.6 percent for the same periods in 2019. The change in our effective tax rate for the nine months ended September 30, 2020 was primarily due to the pretax loss.

Financial Condition as of September 30, 2020

Total assets increased $425.9 million to $9.2 billion at September 30, 2020 compared to $8.8 billion at December 31, 2019. Total portfolio loans increased $257.7 million to $7.4 billion at September 30, 2020 compared to $7.1 billion at December 31, 2019. The increase in portfolio loans primarily related to growth in the commercial loan portfolio of $297.2 million with increases of $321.6 million in C&I, which included $550.1 million of loans from the PPP, and $102.0 million in commercial construction offset by a decrease of $126.4 million in the CRE portfolio compared to December 31, 2019. Excluding the PPP loans, portfolio loans decreased $292.4 million compared to December 31, 2019 due to decreased activity related to the COVID-19 pandemic. Consumer loans decreased $39.5 million compared to December 31, 2019 primarily due to a decrease in the residential mortgage portfolio of $47.7 million.

Securities decreased $66.1 million to $718.2 million at September 30, 2020 from $784.3 million at December 31, 2019. The decrease in securities is primarily due to proceeds from calls, maturities and pay downs of $85.8 million that were not reinvested and net amortization of $3.2 million offset by increases in unrealized gains of $24.7 million compared to December 31, 2019. The bond portfolio had an unrealized gain of $35.4 million at September 30, 2020 compared to $10.7 million at December 31, 2019 due to a decrease in interest rates.

Our deposits increased $597.2 million, with total deposits of $7.6 billion at September 30, 2020 compared to $7.0 billion at December 31, 2019. Customer deposits increased $889.5 million from December 31, 2019. The increase in customer deposits primarily related to PPP and stimulus programs along with customers conservatively holding cash deposits during these uncertain times. Customer noninterest-bearing demand deposits increased $534.6 million, interest-bearing demand increased $220.8 million, money market deposits increased $133.9 million and savings increased $107.6 million offset by a decrease in certificates of deposit of $107.4 million. Total brokered deposits decreased $292.2 million from December 31, 2019 due to the customer deposit growth. Brokered deposits are an additional source of funds utilized by ALCO as a way to diversify funding sources, as well as manage our funding costs and structure.

Total borrowings decreased $177.5 million to $238.9 million at September 30, 2020 compared to $416.4 million at December 31, 2019 due to an increase in deposits. The decrease in borrowings primarily related to a decline in short-term borrowings of $198.3 million offset by an increase in securities sold under repurchase agreements of $22.8 million due to demand for the product by our REPO customers.

Total shareholders' equity decreased by $49.9 million to $1.1 billion at September 30, 2020 compared to $1.2 billion at December 31, 2019. The decrease was primarily due to the previously disclosed fraud loss, net of tax, of $46.4 million that resulted in a net loss of $3.1 million, the cumulative-effect adjustment related to the adoption of ASU 2016-13, Credit Losses, of $22.6 million, share repurchases of $12.6 million, and dividends of $33.0 million, offset by a $21.1 million increase in other comprehensive income. The increase in other comprehensive income was due to a $19.6 million increase in unrealized gains on our available-for-sale investment securities, net of tax, and a $1.6 million change in the funded status of our employee benefit plans.

Securities Activity

(dollars in thousands)	September 30, 2020	December 31, 2019	$ Change
U.S. treasury securities	$ 10,323	$ 10,040	$ 283
Obligations of U.S. government corporations and agencies	93,351	157,697	(64,346)
Collateralized mortgage obligations of U.S. government corporations and agencies	183,032	189,348	(6,316)
Residential mortgage-backed securities of U.S. government corporations and agencies	17,352	22,418	(5,066)
Commercial mortgage-backed securities of U.S. government corporations and agencies	280,224	275,870	4,354
Corporate obligations	4,027	7,627	(3,600)
Obligations of states and political subdivisions	126,611	116,133	10,478
Available-for-Sale Debt Securities	**714,920**	**779,133**	**(64,213)**
Marketable equity securities	3,249	5,150	(1,901)
Total Securities	**$ 718,169**	**$ 784,283**	**$ (66,114)**

We invest in various securities in order to maintain a source of liquidity, to satisfy various pledging requirements, to increase net interest income, and as a tool of ALCO to reposition the balance sheet for interest rate risk purposes. Securities are subject to market risks that could negatively affect the level of liquidity available to us. Security purchases are subject to an investment policy approved annually by our Board of Directors and administered through ALCO and our treasury function. Securities decreased $66.1 million to $718.2 million at September 30, 2020 from $784.3 million at December 31, 2019. The decrease in securities is primarily due to proceeds from calls, maturities and pay downs of $85.8 million that were not reinvested and net amortization of $3.2 million offset by increases in unrealized gains of $24.7 million compared to December 31, 2019.

At September 30, 2020 our bond portfolio was in a net unrealized gain position of $35.4 million compared to a net unrealized gain position of $10.7 million at December 31, 2019. At September 30, 2020 total gross unrealized gains in the bond portfolio were $35.4 million compared to December 31, 2019, when total gross unrealized gains were $11.7 million offset by gross unrealized losses of $1.0 million. Management evaluates the securities portfolio to determine if an ACL is needed each quarter. We did not record an ACL related to the securities portfolio at September 30, 2020.

Loan Composition

	September 30, 2020		December 31, 2019	
(dollars in thousands)	Amount	% of Loans	Amount	% of Loans
Commercial				
Commercial real estate	$ 3,290,138	44.5 %	$ 3,416,518	47.9 %
Commercial and industrial	2,042,467	27.6	1,720,833	24.1
Construction	477,429	6.5	375,445	5.2
Total Commercial Loans	**5,810,034**	**78.6 %**	**5,512,796**	**77.2 %**
Consumer				
Residential mortgage	950,887	12.9 %	998,585	14.0 %
Home equity	537,869	7.3	538,348	7.6
Installment and other consumer	80,735	1.0	79,033	1.1
Construction	15,343	0.2	8,390	0.1
Total Consumer Loans	**1,584,834**	**21.4 %**	**1,624,356**	**22.8 %**
Total Portfolio Loans	**7,394,868**	**100.0 %**	**7,137,152**	**100.0 %**
Loans held for sale	16,724		5,256	
Total Loans	**$ 7,411,592**		**$ 7,142,408**	

The loan portfolio represents the most significant source of interest income for us. The risk that borrowers will be unable to pay such obligations is inherent in the loan portfolio. Other conditions such as downturns in the borrower's industry or the overall economic climate can significantly impact the borrower's ability to pay.

Commercial loans, including CRE, C&I and commercial construction, comprised 78.6 percent of total portfolio loans at September 30, 2020 and 77.2 percent at December 31, 2019. Total portfolio loans increased $257.7 million to $7.4 billion at September 30, 2020 compared to $7.1 billion at December 31, 2019. The increase of $297.2 million in commercial loans related to $321.6 million in C&I, which included $550.1 million of loans from the PPP, and $102.0 million in commercial construction loans offset by a decrease of $126.4 million in CRE compared to December 31, 2019. Excluding the PPP loans, portfolio loans decreased $292.4 million compared to December 31, 2019 due to decreased activity related to the COVID-19 pandemic.

As of September 30, 2020, we originated $550.1 million of PPP loans. PPP loans are forgivable, in whole or in part, if the proceeds are used for payroll and other permitted expenses in accordance with the requirements of the PPP. These loans carry a fixed rate of 1.00 percent and a term of two years, or five years for loans approved by the SBA on or after June 5, 2020. Payments are deferred for the first six months of the loan. The loans are 100 percent guaranteed by the SBA. The SBA pays us a processing fee ranging from 1 percent to 5 percent based on the size of the loan.

Consumer loans represent 21.4 percent of our total portfolio loans at September 30, 2020 and 22.8 percent at December 31, 2019. Consumer loans decreased $39.5 million compared to December 31, 2019 with decreases of $47.7 million in residential mortgages and $0.5 million in home equity loans offset by increases in consumer construction of $7.0 million and installment and other consumer of $1.7 million.

Allowance for Credit Losses

We maintain an ACL at a level determined to be adequate to absorb estimated expected credit losses within the loan portfolio over the contractual life of a loan that considers our historical loss experience, current conditions and forecasts of future economic conditions as of the balance sheet date. We develop and document a systematic ACL methodology based on the following portfolio segments: 1) CRE, 2) C&I, 3) Commercial Construction, 4) Business Banking, 5) Consumer Real Estate and 6) Other Consumer.

The following are key risks within each portfolio segment:

CRE—Loans secured by commercial purpose real estate, including both owner-occupied properties and investment properties for various purposes such as hotels, retail, multifamily, and healthcare. Operations of the individual projects and global cash flows of the debtors are the primary sources of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the collateral type and the business prospects of the lessee, if the project is not owner-occupied.

C&I—Loans made to operating companies or manufacturers for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing. Cash flow from the operations of the company is the primary source of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the industry of the company. Collateral for these types of loans often does not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt.

Commercial Construction—Loans made to finance construction of buildings or other structures, as well as to finance the acquisition and development of raw land for various purposes. While the risk of these loans is generally confined to the construction period, if there are problems, the project may not be completed, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the type of project and the experience and resources of the developer.

Business Banking—Commercial loans made to small businesses that are standard, non-complex products evaluated through a streamlined credit approval process that has been designed to maximize efficiency while maintaining high credit quality standards that meet small business market customers' needs. The business banking portfolio is monitored by utilizing a standard and closely managed process focusing on behavioral and performance criteria. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the collateral type and business.

Consumer Real Estate—Loans secured by first and second liens such as home equity loans, home equity lines of credit and 1-4 family residential mortgages, including purchase money mortgages. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The state of the local housing market can also have a significant impact on this segment because low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy the debt.

Other Consumer—Loans made to individuals that may be secured by assets other than 1-4 family residences, as well as unsecured loans. This segment includes auto loans, unsecured loans and lines and credit cards. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The value of the collateral, if there is any, is less likely to be a source of repayment due to less certain collateral values.

The following table presents activity in the ACL for the periods presented:

	Three Months Ended September 30, 2020						
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial	Commercial Construction	Business Banking	Consumer Real Estate	Other Consumer	Total Loans
Allowance for credit losses on loans:							
Balance at beginning of period	$ 57,730	$ 19,164	$ 8,874	$ 14,404	$ 11,585	$ 2,852	$ 114,609
Provision for credit losses on loans	23,839	(4,155)	(1,617)	2,072	(797)	(40)	19,302
Charge-offs	(10,187)	(1,196)	—	(1,748)	(252)	(284)	(13,667)
Recoveries	172	398	1	64	41	78	754
Net (Charge-offs)/Recoveries	**(10,015)**	**(798)**	**1**	**(1,684)**	**(211)**	**(206)**	**(12,913)**
Balance at End of Period	**$ 71,554**	**$ 14,211**	**$ 7,258**	**$ 14,792**	**$ 10,577**	**$ 2,606**	**$ 120,998**

	September 30, 2020	December 31, 2019
Ratio of net charge-offs to average loans outstanding	0.69 %*	0.12 %
Allowance for credit losses as a percentage of total loans	1.64 %	0.87 %
Allowance for loan losses as a percentage of total loans - excluding PPP loans	1.77 %	NA
Allowance for credit losses to nonperforming loans	144 %	115 %

* *Annualized*

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	Nine Months Ended September 30, 2020						
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial[2]	Commercial Construction	Business Banking[1]	Consumer Real Estate	Other Consumer	Total Loans
Allowance for credit losses on loans:							
Balance at beginning of period	$ 30,577	$ 15,681	$ 7,900	$ —	$ 6,337	$ 1,729	$ 62,224
Impact of CECL adoption	4,810	7,853	(3,376)	12,898	4,525	642	27,352
Provision for credit losses on loans	52,185	62,949	2,712	4,197	32	1,489	123,564
Charge-offs	(16,229)	(72,692)	—	(2,469)	(470)	(1,556)	(93,416)
Recoveries	211	420	22	166	153	302	1,274
Net (Charge-offs)/Recoveries	**(16,018)**	**(72,272)**	**22**	**(2,303)**	**(317)**	**(1,254)**	**(92,142)**
Balance at End of Period	**$ 71,554**	**$ 14,211**	**$ 7,258**	**$ 14,792**	**$ 10,577**	**$ 2,606**	**$ 120,998**

	September 30, 2020	December 31, 2019
Ratio of net charge-offs to average loans outstanding	1.66 %*	0.22 %

* *Annualized*

[1] *In connection with our adoption of ASU 2016-13, we made changes to our loan portfolio segments to align with the methodology applied in determining the allowance under CECL. Our new segmentation breaks out business banking loans from our other loan segments: CRE, C&I, commercial construction, consumer real estate and other consumer. The business banking allowance balance at the beginning of period is included in the other segments and reclassified to business banking through the impact of CECL adoption line.*

[2] *During the three months ended June 30, 2020, we experienced a pre-tax loss of $58.7 million related to a customer fraud resulting from a check kiting scheme.*

The adoption of ASU 2016-13 resulted in an increase to our ACL of $27.4 million on January 1, 2020. The increase included $8.2 million for S&T legacy loans and $9.3 million for acquired loans from the DNB merger. We also recorded a day one adjustment of $9.9 million primarily related to a C&I relationship that was charged off in the first quarter of 2020. We obtained information on the relationship subsequent to filing our Annual Report on Form 10-K for the year ended December 31, 2019, but before the end of the first quarter of 2020. The updated information supported that a loss existed at January 1, 2020.

The significant increase in the provision for credit losses during the three months ended September 30, 2020 was mainly due to a $10.1 million charge-off related to a CRE relationship, a $6.2 million increase in specific reserves and an increase due

to the COVID-19 pandemic. The increase in the provision for the nine months ended September 30, 2020 was due to a $58.7 million charge-off that occurred in the three months ended June 30, 2020 that was the result of customer fraud and the impact of the COVID-19 pandemic.

Net loan charge-offs were $12.9 million, or 0.69 percent of average loans, and $92.1 million, or 1.66 percent of average loans, for the three and nine months ended September 30, 2020. In addition to the $10.1 million charge-off related to the CRE customer in the third quarter of 2020 and the $58.7 million charge-off from the customer fraud that occurred during the second quarter of 2020, the most significant charge-off for the nine months ended September 30, 2020 was a $9.9 million C&I relationship. We obtained information on the relationship subsequent to filing our December 31, 2019 10-K, but before the end of the first quarter of 2020; therefore, we recorded a day one CECL adjustment through a $9.9 million specific reserve. The updated information supported a loss existed at January 1, 2020.

Commercial substandard loans increased $137.1 million to $289.8 million at September 30, 2020 compared to $152.7 million at December 31, 2019 and special mention loans increased $160.5 million to $264.4 million at September 30, 2020 compared to $103.9 million at December 31, 2019. The significant increase in commercial substandard and special mention loans is primarily due to substantial downgrades taking place in our hotel portfolio during the three months ended September 30, 2020 as a result of the COVID-19 pandemic. Our total hotel portfolio was $243.0 million with 95 percent of this portfolio on deferral at September 30, 2020. During the three months ended September 30, 2020, we did an extensive review of the hotel portfolio and as a result downgraded a significant amount of loans within this portfolio. As of September 30, 2020, $92.9 million of hotel loans were risk rated special mention and $126.6 million were substandard. The ACL at September 30, 2020 reflects our estimate of potential loss for the hotel loans. These estimates will be updated in the fourth quarter as we obtain appraisals on the substandard hotel portfolio.

The adoption of the CECL accounting standard as of January 1, 2020 and the uncertainty around the COVID-19 pandemic both contributed to the higher ACL of 1.64 percent of total portfolio loans as of September 30, 2020 compared to 0.87 percent at December 31, 2019. When excluding PPP loans, the ACL as a percentage of total portfolio loans was 1.77 percent as of September 30, 2020.

TDRs decreased $8.8 million to $37.1 million at September 30, 2020 compared to $45.9 million at December 31, 2019. The decrease in TDRs related to the payoff of a CRE TDR of $5.3 million and the above noted third quarter charge-off of $10.1 million on the CRE relationship. Total TDRs of $37.1 million at September 30, 2020 included $18.5 million, or 49.8 percent, that were accruing and $18.6 million, or 50.2 percent, that were not accruing.

Our allowance for credit losses on unfunded commercial lending commitments and letters of credit provide for the risk of expected loss in these arrangements. The allowance is computed using a methodology similar to that used to determine the ACL for loans, modified to take into account the probability of a draw-down on the commitment. The provision for credit losses on unfunded loan commitments is included in the provision for credit losses on our Consolidated Statements of Comprehensive Income. The allowance for unfunded loan commitments was $5.2 million at September 30, 2020 compared to $3.1 million at December 31, 2019. The adoption of ASU 2016-13 resulted in an increase to our allowance for unfunded commitments of $1.4 million on January 1, 2020. The allowance for unfunded loan commitments decreased $1.8 million for the three months ended September 30, 2020 due to a decrease in loss rates for the construction portfolio and increased $0.7 million during the nine months ended September 30, 2020, mainly in response to the COVID-19 pandemic. The allowance for unfunded commitments is included in other liabilities in the Consolidated Balance Sheets.

Nonperforming assets consist of nonaccrual loans, nonaccrual TDRs and OREO. The following table summarizes nonperforming assets for the dates presented:

(dollars in thousands)	September 30, 2020	December 31, 2019	$ Change
Nonperforming Loans			
Commercial real estate	$ 37,884	$ 22,427	$ 15,457
Commercial and industrial	10,925	13,287	(2,362)
Commercial construction	1,504	737	767
Residential mortgage	11,765	6,697	5,068
Home equity	3,205	1,961	1,244
Installment and other consumer	141	36	105
Total Nonperforming Loans	**65,424**	**45,145**	**20,279**
Nonperforming Troubled Debt Restructurings			
Commercial real estate	14,922	6,713	8,209
Commercial and industrial	1,573	695	878
Commercial construction	—	—	—
Residential mortgage	1,252	822	430
Home equity	901	678	223
Installment and other consumer	—	4	(4)
Total Nonperforming Troubled Debt Restructurings	**18,648**	**8,912**	**9,736**
Total Nonperforming Loans	**84,072**	**54,057**	**30,015**
OREO	2,317	3,525	(1,208)
Total Nonperforming Assets	**$ 86,389**	**$ 57,582**	**$ 28,807**
Asset Quality Ratios:			
Nonperforming loans as a percent of total loans	1.13 %	0.76 %	
Nonperforming assets as a percent of total loans plus OREO	1.17 %	0.81 %	

Our policy is to place loans in all categories in nonaccrual status when collection of interest or principal is doubtful, or generally when interest or principal payments are 90 days or more past due.

Nonperforming loans increased $30.0 million to $84.1 million at September 30, 2020 compared to $54.1 million at December 31, 2019. The significant increase in nonperforming loans primarily related to the addition of a $11.3 million CRE relationship, the $10.9 million lending relationship related to the customer fraud, a $4.9 million CRE relationship and a $4.3 million C&I relationship. The $11.3 million CRE relationship became a performing TDR in the third quarter of 2019 and then moved to nonperforming in the first quarter of 2020 when the borrower experienced financial deterioration that led to cash flow issues. The relationship was individually assessed at September 30, 2020, and based upon the appraisal liquidation value, a $10.1 million charge-off was taken due to the relationship being under-collateralized.

Deposits

(dollars in thousands)	September 30, 2020	December 31, 2019	$ Change
Customer Deposits			
Noninterest-bearing demand	$ 2,232,706	$ 1,698,082	$ 534,624
Interest-bearing demand	982,956	762,111	220,845
Money market	1,983,571	1,849,684	133,887
Savings	938,475	830,919	107,556
Certificates of deposit	1,427,872	1,535,305	(107,433)
Total Customer Deposits	**7,565,580**	**6,676,101**	**889,479**
Brokered Deposits			
Interest-bearing demand	—	200,220	(200,220)
Money market	50,014	100,127	(50,113)
Certificates of deposit	18,224	60,128	(41,904)
Total Brokered Deposits	**68,238**	**360,475**	**(292,237)**
Total Deposits	**$ 7,633,818**	**$ 7,036,576**	**$ 597,242**

Deposits are our primary source of funds. We believe that our deposit base is stable and that we have the ability to attract new deposits. Total deposits at September 30, 2020 increased $597.2 million from December 31, 2019. Total customer deposits increased $889.5 million from December 31, 2019. The increase in customer deposits primarily related to PPP and stimulus programs along with customers conservatively holding cash deposits during these uncertain times. Customer noninterest-bearing demand deposits increased $534.6 million, interest-bearing demand deposits increased $220.8 million, money market deposits increased $133.9 million and savings deposits increased $107.6 million. These increases were offset by a decline in certificate of deposits of $107.4 million which was mainly a result of repositioning by our customers. Total brokered deposits decreased $292.2 million from December 31, 2019 due to the customer deposit growth. Brokered deposits are an additional source of funds utilized by ALCO as a way to diversify funding sources, as well as manage our funding costs and structure.

Borrowings

(dollars in thousands)	September 30, 2020	December 31, 2019	$ Change
Securities sold under repurchase agreements	$ 42,706	$ 19,888	$ 22,818
Short-term borrowings	83,000	281,319	(198,319)
Long-term borrowings	49,076	50,868	(1,792)
Junior subordinated debt securities	64,068	64,277	(209)
Total Borrowings	**$ 238,850**	**$ 416,352**	**$ (177,502)**

Borrowings are an additional source of funding for us. Total borrowings decreased $177.5 million, or 42.6 percent, compared to December 31, 2019 due to increased customer deposits. Total short-term borrowings decreased $198.3 million, or 70.5 percent, compared to December 31, 2019. Securities sold under repurchase agreements increased $22.8 million to $42.7 million at September 30, 2020 compared to December 31, 2019 due to demand from our REPO customers.

Information pertaining to short-term borrowings is summarized in the tables below for the nine months ended September 30, 2020 and for the twelve months ended December 31, 2019.

	Securities Sold Under Repurchase Agreements	
(dollars in thousands)	**September 30, 2020**	**December 31, 2019**
Balance at the period end	$ 42,706	$ 19,888
Average balance during the period	$ 60,045	$ 16,863
Average interest rate during the period	0.30 %	0.65 %
Maximum month-end balance during the period	$ 92,159	$ 23,427
Average interest rate at the period end	0.25 %	0.74 %

	Short-Term Borrowings	
(dollars in thousands)	**September 30, 2020**	**December 31, 2019**
Balance at the period end	$ 83,000	$ 281,319
Average balance during the period	$ 182,623	$ 255,264
Average interest rate during the period	1.02 %	2.51 %
Maximum month-end balance during the period	$ 410,240	$ 425,000
Average interest rate at the period end	0.36 %	1.84 %

Information pertaining to long-term borrowings is summarized in the tables below for the nine months ended September 30, 2020 and for the twelve months ended December 31, 2019.

	Long-Term Borrowings	
(dollars in thousands)	**September 30, 2020**	**December 31, 2019**
Balance at the period end	$ 49,076	$ 50,868
Average balance during the period	$ 50,292	$ 66,392
Average interest rate during the period	2.52 %	2.76 %
Maximum month-end balance during the period	$ 50,635	$ 70,418
Average interest rate at the period end	2.47 %	2.61 %

	Junior Subordinated Debt Securities	
(dollars in thousands)	**September 30, 2020**	**December 31, 2019**
Balance at the period end	$ 64,068	$ 64,277
Average balance during the period	$ 64,099	$ 47,934
Average interest rate during the period	3.72 %	4.82 %
Maximum month-end balance during the period	$ 64,648	$ 64,277
Average interest rate at the period end	3.03 %	4.42 %

Liquidity and Capital Resources

Liquidity is defined as a financial institution's ability to meet its cash and collateral obligations at a reasonable cost. This includes the ability to satisfy the financial needs of depositors who want to withdraw funds or of borrowers needing to access funds to meet their credit needs. In order to manage liquidity risk, our Board of Directors has delegated authority to ALCO for the formulation, implementation, and oversight of liquidity risk management for S&T. The ALCO's goal is to maintain adequate levels of liquidity at a reasonable cost to meet funding needs in both a normal operating environment and for potential liquidity stress events. The ALCO monitors and manages liquidity through various ratios, reviewing cash flow projections, performing stress tests and having a detailed contingency funding plan. The ALCO policy guidelines define graduated risk tolerance levels. If our liquidity position moves to a level that has been defined as high risk, specific actions are required, such as increased monitoring or the development of an action plan to reduce the risk position.

Our primary funding and liquidity source is a stable customer deposit base. We believe S&T has the ability to retain existing and attract new deposits, mitigating any funding dependency on other more volatile sources. Refer to the "Financial Condition-Deposits" section of this MD&A, for additional discussion on deposits. Although deposits are the primary source of funds, we have identified various other funding sources that can be used as part of our normal funding program when either a structure or cost efficiency has been identified. Additional funding sources accessible to S&T include borrowing availability at the FHLB of Pittsburgh, federal funds lines with other financial institutions, the brokered deposit market and borrowing availability through the Federal Reserve Borrower-In-Custody program.

An important component of our ability to effectively respond to potential liquidity stress events is maintaining a cushion of highly liquid assets. Highly liquid assets are those that can be converted to cash quickly, with little or no loss in value, to meet financial obligations. ALCO policy guidelines define a ratio of highly liquid assets to total assets by graduated risk tolerance levels of minimal, moderate and high. At September 30, 2020, we had $670.1 million in highly liquid assets, which consisted of $235.8 million in interest-bearing deposits with banks, $417.6 million in unpledged securities and $16.7 million in loans held for sale. This resulted in a highly liquid assets to total assets ratio of 7.3 percent at September 30, 2020. Also, at September 30, 2020, we had a remaining borrowing availability of $2.5 billion with the FHLB of Pittsburgh. Refer to Note 9, Borrowings in the Notes to Consolidated Financial Statements and the "Financial Condition- Borrowings" section of this MD&A for more details.

The following table summarizes capital amounts and ratios for S&T and S&T Bank for the dates presented:

(dollars in thousands)	Adequately Capitalized	Well-Capitalized	September 30, 2020		December 31, 2019	
			Amount	Ratio	Amount	Ratio
S&T Bancorp, Inc.						
Tier 1 leverage	4.00 %	5.00 %	$ 813,100	9.11 %	$ 854,146	10.29 %
Common equity tier 1 to risk-weighted assets	4.50 %	6.50 %	784,100	11.05 %	825,146	11.43 %
Tier 1 capital to risk-weighted assets	6.00 %	8.00 %	813,100	11.46 %	854,146	11.84 %
Total capital to risk-weighted assets	8.00 %	10.00 %	934,577	13.18 %	954,094	13.22 %
S&T Bank						
Tier 1 leverage	4.00 %	5.00 %	$ 798,948	8.97 %	$ 832,113	10.04 %
Common equity tier 1 to risk-weighted assets	4.50 %	6.50 %	798,948	11.29 %	832,113	11.56 %
Tier 1 capital to risk-weighted assets	6.00 %	8.00 %	798,948	11.29 %	832,113	11.56 %
Total capital to risk-weighted assets	8.00 %	10.00 %	912,429	12.89 %	922,310	12.81 %

On March 27, 2020, the regulators issued interim final rule, or IFR, "Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances" in response to the disrupted economic activity from the spread of COVID-19. The IFR provides financial institutions that adopt CECL during 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided by the initial two-year delay ("five year transition"). We adopted CECL effective January 1, 2020 and elected to implement the five year transition.

We have filed a shelf registration statement on Form S-3 under the Securities Act of 1933, as amended, with the SEC, which allows for the issuance of a variety of securities including debt and capital securities, preferred and common stock and warrants. We may use the proceeds from the sale of securities for general corporate purposes, which could include investments at the holding company level, investing in, or extending credit to subsidiaries, possible acquisitions and stock repurchases. As of September 30, 2020, we had not issued any securities pursuant to this shelf registration statement.

S&T is monitoring and will continue to monitor the impact of the COVID-19 pandemic and has taken and will continue to take steps to mitigate the potential risks and impact on our liquidity and capital resources. Due to the economic uncertainty, we

are taking a prudent approach to capital management and have established access to the Federal Reserve's PPP Lending Facility.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is defined as the degree to which changes in interest rates, foreign exchange rates, commodity prices or equity prices can adversely affect a financial institution's earnings or capital. For most financial institutions, including S&T, market risk primarily reflects exposures to changes in interest rates. Interest rate fluctuations affect earnings by changing net interest income and other interest-sensitive income and expense levels. Interest rate changes also affect capital by changing the net present value of a bank's future cash flows, and the cash flows themselves, as rates change. Accepting this risk is a normal part of banking and can be an important source of profitability and enhancing shareholder value. However, excessive interest rate risk can threaten a bank's earnings, capital, liquidity and solvency. Our sensitivity to changes in interest rate movements is continually monitored by ALCO. ALCO monitors and manages market risk through rate shock analyses, economic value of equity, or EVE, analyses and by performing stress tests and simulations in order to mitigate earnings and market value fluctuations due to changes in interest rates.

Rate shock analyses results are compared to a base case to provide an estimate of the impact that market rate changes may have on 12 and 24 months of pretax net interest income. The base case and rate shock analyses are performed on a static balance sheet. A static balance sheet is a no growth balance sheet in which all maturing and/or repricing cash flows are reinvested in the same product at the existing product spread. Rate shock analyses assume an immediate parallel shift in market interest rates and also include management assumptions regarding the impact of interest rate changes on non-maturity deposit products (noninterest-bearing demand, interest-bearing demand, money market and savings) and changes in the prepayment behavior of loans and securities with optionality. S&T policy guidelines limit the change in pretax net interest income over 12 and 24 month horizons using rate shocks in increments of +/- 100 basis points. Policy guidelines define the percentage change in pretax net interest income by graduated risk tolerance levels of minimal, moderate and high. We have temporarily suspended the analyses on downward rate shocks of 200 basis points or more because they do not provide meaningful insight into our interest rate risk position.

In order to monitor interest rate risk beyond the 24 month time horizon of rate shocks on pretax net interest income, we also perform EVE analyses. EVE represents the present value of all asset cash flows minus the present value of all liability cash flows. EVE change results are compared to a base case to determine the impact that market rate changes may have on our EVE. As with rate shock analyses on pretax net interest income, EVE analyses incorporate management assumptions regarding prepayment behavior of fixed rate loans and securities with optionality and the behavior and value of non-maturity deposit products. S&T policy guidelines limit the change in EVE using rate shocks in increments of +/- 100 basis points. Policy guidelines define the percentage change in EVE by graduated risk tolerance levels of minimal, moderate and high. We have also temporarily suspended the downward rate shocks of 200 basis points or more for EVE.

The table below reflects the rate shock analyses results for the 1 - 12 and 13 - 24 month periods of pretax net interest income and EVE.

	September 30, 2020			December 31, 2019		
	1 - 12 Months	13 - 24 Months		1 - 12 Months	13 - 24 Months	
Change in Interest Rate (*basis points*)	% Change in Pretax Net Interest Income	% Change in Pretax Net Interest Income	% Change in EVE	% Change in Pretax Net Interest Income	% Change in Pretax Net Interest Income	% Change in EVE
400	16.7 %	26.8 %	31.1 %	9.6 %	14.4 %	(1.8) %
300	12.4	20.1	31.2	7.2	10.8	2.8
200	8.3	13.6	27.3	5.0	7.6	5.5
100	4.9	7.7	18.9	2.7	4.2	5.1
(100)	(2.5) %	(5.1) %	(30.1) %	(4.3) %	(6.4) %	(10.8) %

The results from the rate shock analyses on net interest income are consistent with having an asset sensitive balance sheet. Having an asset sensitive balance sheet means more assets than liabilities will reprice during the measured time frames. The implications of an asset sensitive balance sheet will differ depending upon the change in market interest rates. For example, with an asset sensitive balance sheet in a declining interest rate environment, more assets than liabilities will decrease in rate. This situation could result in a decrease in net interest income and operating income. Conversely, with an asset sensitive balance sheet in a rising interest rate environment, more assets than liabilities will increase in rate. This situation could result in an increase in net interest income and operating income.

Our rate shock analyses show an improvement in the percentage change in pretax net interest income in the 1-12 month and 13-24 month rates up scenarios and rates down scenarios when comparing September 30, 2020 to December 31, 2019. Our EVE analyses show an improvement in the percentage change in EVE in the rates up scenarios and a decline in the rates down scenario when comparing September 30, 2020 to December 31, 2019. The EVE decline is due to the low interest rate environment which negatively impacts the value of our non-maturity deposits.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to rate shocks and EVE analyses, we perform a market risk stress test at least annually. The market risk stress test includes sensitivity analyses and simulations. Sensitivity analyses are performed to help us identify which model assumptions cause the greatest impact on pretax net interest income. Sensitivity analyses may include changing prepayment behavior of loans and securities with optionality and the impact of interest rate changes on non-maturity deposit products. Simulation analyses may include the potential impact of rate changes other than the policy guidelines, yield curve shape changes, significant balance mix changes and various growth scenarios.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of S&T's Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO (its principal executive officer and principal financial officer, respectively), management has evaluated the effectiveness of the design and operation of S&T's disclosure controls and procedures as of September 30, 2020. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission, or the SEC, and that such information is accumulated and communicated to S&T's management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Based on and as of the date of such evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective in all material respects, as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2020, there were no changes made to S&T's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, S&T's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

There have been no material changes to the risk factors that we have previously disclosed in Part I, Item 1A – "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on March 2, 2020 other than the risks described below.

The duration and severity of the COVID-19 pandemic, in our principal area of operations, nationally and globally, has impacted and could adversely impact S&T's business, results of operations and financial condition. While it is difficult to predict the further impact of the COVID-19 pandemic (or any other outbreak) on the economy and S&T, the future impacts may include, but are not limited to, the following:

- Our results of operations may be negatively impacted by general economic or business conditions and uncertainty, including the strength of economic conditions in our principal area of operations impacting the demand for our products and services.
- The low interest rate environment will continue to negatively impact our net interest income and net interest margin.
- Credit losses may be higher and our provision for credit losses may continue to increase, due to deterioration in the financial condition of S&T's commercial and consumer loan customers.
- Declining asset and collateral values may necessitate increases in our provision for credit losses and net charge-offs.
- Continued negative impact on the hospitality industry and our hotel portfolio, which could result in additional credit losses and net charge-offs.
- Expense management will be impacted by the uncertainty of the effects of the pandemic and S&T's continued efforts to promote the health and safety of our employees, and the customers and communities we serve.
- We may have an interruption or cessation of an important service provided by a third-party provider.
- S&T's liquidity and regulatory capital could be adversely impacted.

- Any new or revised regulations regarding capital and liquidity adopted in response to the COVID-19 pandemic may require us to maintain materially more capital or liquidity.
- Investors may have less confidence in the equity markets in general and in financial services industry in particular, which could have a negative impact on S&T's stock price and resulting market valuation.

To the extent the COVID-19 pandemic continues to adversely affect the global economy it may also increase the likelihood and/or magnitude of other risks described in the Part I, Item IA. "Risk Factors" in S&T's Annual Report on Form 10-K for the year ended December 31, 2019.

The impact that the COVID-19 pandemic will have on S&T's credit losses is uncertain, and continued economic uncertainty and deterioration since January 1, 2020 in the forward looking economic forecasts used to estimate credit losses may adversely affect our ACL.

S&T calculates the ACL in accordance with CECL accounting standard adopted January 1, 2020. The CECL methodology reflects expected credit losses and requires consideration of a broad range of reasonable and supportable information to form credit loss estimates. The CECL accounting standard bases the measurement of expected credit losses on historical loss experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. S&T's ability to assess expected credit losses may be impaired if the models and approaches we use become less predictive of future behaviors. In particular, the reliance on supportable economic forecasts in light of the COVID-19 pandemic has had and is expected to have an impact on the estimates of our ACL. These forecasts have deteriorated since January 1, 2020 and continued adverse economic forecasts and economic uncertainty could negatively affect our ACL.

Fraudulent activity associated with our products and services could adversely affect our results of operations, financial condition and stock price, negatively impact our brand and reputation, and result in regulatory intervention or sanctions.

As a financial institution we are exposed to operational risk in the form of fraudulent activity that may be committed by customers, other third parties, or employees, targeting us and our customers. The risk of fraud continues to increase for the financial services industry. In our Form 8-K filed May 26, 2020, we disclosed that we discovered customer fraud resulting from a check kiting scheme by a business customer of S&T. We recognized a pre-tax loss of $58.7 million during the second quarter of 2020 related to this customer fraud. As a result of our internal review of the fraud, we have made process and monitoring enhancements that are substantially implemented. While we believe we have operational risk controls in place to prevent or detect future instances of fraud or to mitigate the impact of any fraud, we cannot provide assurance that we can prevent or detect fraud or that we will not experience future fraud losses or incur costs or other damage related to such fraud, at levels that adversely affect our results of operation, financial condition, or stock price. Furthermore, fraudulent activity could negatively impact our brand and reputation, which could also adversely affect our results of operation, financial condition, or stock price. Fraudulent activity could also lead to regulatory intervention or regulatory sanctions.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

The following table is a summary of our purchases of common stock during the third quarter of 2020:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan[1]	Approximate dollar value of shares that may yet be purchased under the plan
				$37,441,683
07/01/2020 - 07/31/2020	—	$—	—	37,441,683
08/01/2020 - 08/31/2020	—	—	—	37,441,683
09/01/2020 - 09/30/2020	—	—	—	37,441,683
Total	**—**	**$—**	**—**	**$37,441,683**

[1] On September 16, 2019, our Board of Directors authorized a $50 million share repurchase plan. This repurchase authorization, which is effective through March 31, 2021, permits S&T to repurchase from time to time up to $50 million in aggregate value of shares of S&T's common stock through a combination of open market and privately negotiated repurchases. The specific timing, price and quantity of repurchases will be at the discretion of S&T and will depend on a variety of factors, including general market conditions, the trading price of common stock, legal and contractual requirements, applicable securities laws and

S&T's financial performance. The repurchase plan does not obligate us to repurchase any particular number of shares. We expect to fund any repurchases from cash on hand and internally generated funds. Repurchase activity was suspended in March 2020 as the impact of the COVID-19 pandemic spread.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

On November 2, 2020, we entered into a Confidentiality, Trade Secrets, Non-Solicitation and Severance Agreement with Ernest J. Draganza (the "Severance Agreement"). Under the Severance Agreement, if Mr. Draganza's employment is terminated without Cause (as defined in the Severance Agreement) he will be entitled to one year of pay at his last base salary paid in accordance with S&T's regular payroll practices over twelve (12) months commencing on the first regular payroll date following termination of employment and will also be eligible to receive paid COBRA benefits for twelve (12) months (collectively referred to as "Severance"). The Severance Agreement provides that in the event of a termination with Cause, the restrictive covenants discussed below will remain in full force and effect without him being entitled to Severance. Furthermore, if he resigns his employment, he will not be entitled to any Severance.

Additionally, under the Severance Agreement, Mr. Draganza has agreed to the following restrictive covenants: (i) during the period of employment and continuing thereafter indefinitely, maintain the confidentiality of S&T's confidential information; (ii) following the termination of employment and continuing for a period of one (1) year refrain from doing any business with and/or soliciting any customer(s) of S&T; and (iii) during the period of employment and continuing for a period of one (1) year not to directly or indirectly hire, solicit, employ, or knowingly permit any enterprise or business where he owns or becomes employed to employ any person who was employed by S&T at any time during the two (2) year period preceding his termination of employment with S&T, or in any manner facilitate the leaving of any person from his or her employment with S&T.

On August 4, 2020, we entered into a severance and general release agreement with David P. Ruddock in connection with his previously announced resignation. Under the terms of the agreement, Mr. Ruddock will receive (a) a total gross payment of three hundred thirty-five thousand, four hundred and fifty dollars ($335,450.00), paid in three installments: (i) the first payment of one half of this total to be made within thirty days after the seven (7) day revocation period provided to Mr. Ruddock if the agreement expires without a revocation (in the gross amount of $167,725.00), and (ii) the remaining two payments, each for one quarter of the total - one in December 2020 and the final payment to be made on August 2, 2021 (each in the gross amount of $83,862.50), (b) payment of his COBRA health insurance coverage for twelve (12) months or until he obtains coverage from a new employer, (c) an additional amount of thirty-two thousand dollars ($32,000.00) within thirty days after the revocation period expires without a revocation, and (d) ownership of the S&T automobile and cell phone with Mr. Ruddock assuming operations, maintenance, insurance and all other cost and responsibilities regarding them.

S&T BANCORP, INC. AND SUBSIDIARIES

Item 6. Exhibits

2.1	Agreement and Plan of Merger, dated June 5, 2019, by and between DNB Financial Corporation and S&T Bancorp, Inc. Filed as Exhibit 2.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on June 5, 2019, and incorporated herein by reference.	
10.1	Severance and General Release Agreement, dated August 4, 2020, by and between David P. Ruddock and S&T Bancorp, Inc., S&T Bank and any of their subsidiaries or affiliated business* Filed as Exhibit 10.1 to S&T Bancorp, Inc. Quarterly Report on form 10-Q filed on August 6, 2020, and incorporated herein by reference.	
10.2	Confidentiality, Trade Secrets, Non-Solicitation and Severance Agreement, dated November 2, 2020, by and between Ernest J. Draganza and S&T Bancorp, Inc., S&T Bank and their subsidiaries and affiliated companies.*	Filed herewith
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer.	Filed herewith
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer.	Filed herewith
32	Rule 13a-14(b) Certification of the Chief Executive Officer and Chief Financial Officer.	Filed herewith
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	
101.LAB	XBRL Taxonomy Extension Label Linkbase	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101)	

* Management Contract or Compensatory Plan or Arrangement

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 thereunto duly authorized.

S&T Bancorp, Inc.
(Registrant)

November 4, 2020

/s Mark Kochvar

Mark Kochvar
Senior Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Signatory)

S&T BANK - CONFIDENTIALITY, TRADE SECRETS, NON-SOLICITATION AND SEVERANCE AGREEMENT

THIS CONFIDENTIALITY, TRADE SECRETS, NON-SOLICITATION AND SEVERANCE AGREEMENT ("Agreement") is made and entered into the latest date set forth below by and between S&T Bancorp, Inc, S&T Bank, and their subsidiaries and affiliated companies (hereinafter referred to collectively as "S&T Bank") and the undersigned employee hereinafter referred to as ("Employee").

In consideration for the severance pay and benefits offered herein, Employee hereby agrees to abide by the following terms, conditions and restrictive covenants both during Employee's employment and after Employee's separation from employment at S&T Bank, no matter the reason for Employee's separation.

1. **SEVERANCE.** If Employee's employment is terminated **without** Cause, as defined below, Employee will be entitled to one year of pay at his/her last base salary paid in accordance with S&T Bank's regular payroll practices over twelve (12) months commencing on the first regular payroll date following termination of employment and will also be eligible to receive paid COBRA benefits for twelve (12) months if COBRA is properly elected (collectively referred to as "Severance"). Employee will not be eligible for any other benefits, including the HSA contribution. Employee agrees that in the event of a termination **with** Cause, the restrictions set forth below will remain in full force and effect without entitlement to Severance pay or COBRA benefits. Employee agrees that should Employee choose to resign his employment, Employee will not be entitled to any Severance. Employee understands that no matter the reason for termination of employment, whether voluntary or involuntary, Employee remains obligated to comply with the restrictive covenants set forth below in Paragraphs 2-5.

   "Cause" means termination of Employee's employment due to any one or more of the following:

   a. Failure to substantially perform employment duties set forth in your job description (other than by reason of Disability), after reasonable demand for substantial performance has been delivered by S&T Bank specifically identifying the manner in which S&T Bank believes that you have not performed your duties, and the Employee has been given a reasonable opportunity to cure any deficiencies in performance; or

   b. Willful conduct that demonstrably results in material injury to S&T Bank; or

   c. Personal dishonesty or breach of fiduciary duty to S&T Bank that in either case results or was intended to result in personal profit to Employee at the expense of S&T Bank; or

d. Willful violation of any law, rule or regulation (other than traffic violations, misdemeanors or similar offenses) or cease-and-desist order, court order, judgment or supervisory agreement, which violation demonstrably results in material injury to S&T Bank.

2. **CONFIDENTIALITY**. During the period of Employee's employment and continuing thereafter indefinitely, Employee agrees to maintain the confidentiality of S&T Bank's Confidential Information. "Confidential Information" shall include, but is not necessarily limited to, any information concerning S&T Bank 's accounts, sales and sales volume; any information related to customers or prospective customers with whom the Employee had contact with, or became aware of, while working at S&T Bank; S&T Bank's prospect lists, business strategies, business manuals, software products, patented products, copyrighted information, operating methods and any other trade secret or proprietary information belonging to S&T Bank, or relating to S&T Bank 's affairs, that is not public information.

3. **NON-SOLICITATION OF CUSTOMERS AND RESTRICTIONS RELATING TO FUTURE SERVICES**. Following the termination of Employee's employment and continuing for a period of one (1) year after Employee is no longer employed by S&T Bank for any reason, Employee agrees to refrain from doing any business with and/or soliciting any Customer(s) of S&T Bank. The term "soliciting", as used herein, shall mean directly or indirectly contacting any S&T Bank Customer for the purposes of directly or indirectly furnishing any financial, wealth management, insurance, or other banking services that S&T Bank provides, or is permitted by law to provide, on the date the Employee's employment is terminated. The prohibited solicitation may occur in a variety of mediums, including, but not limited to, direct mail, email, telephone, fax, in-person communication, and active use of social media platforms. "Active use" of social media, as used herein, includes any focused and deliberate social media activity directed to certain Customers, but does not include activities such as generally updating employment or contact information or advertising a new employer's products or services. The term "Customer(s)", as used herein, shall mean any individual, corporation, partnership, business or other entity, whether for-profit or not-for-profit (i) whose existence and business is known to Employee as a result of Employee's access to S&T Bank's customer lists, customer account information, or other business related information; or (ii) that is a business entity or individual with whom Employee has contracted on behalf of S&T Bank, performed services for, or negotiated with during the two (2) year period preceding the termination of Employee's employment.

4. **NON-SOLICITATION OF EMPLOYEES.** During the period of Employee's employment and continuing for a period of one (1) year after Employee is no longer employed by S&T Bank for any reason, Employee agrees not to directly or indirectly hire, solicit, employ, or knowingly permit any enterprise or business wherein Employee owns or becomes employed to employ any person who was employed by S&T Bank at any time during the two (2) year period preceding Employee's termination of employment with

S&T Bank, or in any manner facilitate the leaving of any person from his or her employment with S&T Bank.

5. **RETURN OF CONFIDENTIAL INFORMATION.** Upon termination of Employee's employment for any reason, Employee shall promptly deliver to S&T Bank, in whatever format or medium, all materials containing any Confidential Information or trade secrets which are in the possession of Employee.

6. **SEVERABILITY**. The parties intend that the provisions of this Agreement shall be enforceable to the fullest extent permissible under applicable law. In the event that a court of competent jurisdiction shall determine that one or more of the provisions of the above stated restrictive covenants in Paragraphs 2, 3 or 4 above is so broad as to be unenforceable, then such provision shall be deemed to be reduced in scope or length, as the case may be, to the extent required to make the covenants enforceable.

7. **REMEDIES.** Employee agrees that if Employee is receiving severance pay and violates this Agreement, S&T Bank may elect to cease making severance payments and recover any payments previously made to Employee. In addition, Employee stipulates and agrees that any breach of this Agreement by Employee will result in immediate and irreparable harm to S&T Bank, the amount of which will be extremely difficult to ascertain, and that S&T Bank could not be reasonably or adequately be compensated by damages in an action at law. For these reasons, S&T Bank shall have the right to obtain such preliminary, temporary or permanent injunctions or restraining orders or decrees as may be necessary to protect S&T Bank against, or on account of, any breach by Employee of the provisions of this Agreement without the need to post bond in excess of one thousand dollars ($1,000.00). Such right to equitable relief is in addition to all other legal remedies S&T Bank may have to protect its rights. In the event S&T Bank obtains any such injunction, order, decree or other relief, in law or in equity, Employee shall be responsible for reimbursing S&T Bank for all costs associated with obtaining the relief, including reasonable attorneys' fees, and expenses and costs of suit. Employee further covenants and agrees that any order of court or judgment obtained by S&T Bank which enforces S&T Bank's rights under this Agreement may be transferred, without objection or opposition by Employee, to any court of law or other appropriate law enforcement body located in any other state in the United States where S&T Bank does business, and that said court or body shall give full force and effect to said order and or judgment. If Employee violates any of the restrictive covenants set forth hereinabove, the periods described therein shall be extended by that number of days which equals the aggregate of all days during which any such violations occurred.

8. **CHOICE OF LAW, JURISDICTION AND VENUE.** Employee agrees that this Agreement shall be deemed to have been made and entered into in Indiana County, Pennsylvania and that the Law of the Commonwealth of Pennsylvania shall govern this Agreement, without regard to conflict of laws principles. Employee agrees that for purposes of enforcing this Agreement, jurisdiction and venue is exclusively limited in any proceeding brought by S&T Bank to enforce its rights hereunder to the Court of Common Pleas of Indiana County, Pa. or the United States District Court for the Western District

of Pennsylvania. Employee agrees to waive any objections to the jurisdiction and venue of the courts set forth above, including any objection to personal jurisdiction, venue, and/or forum *non-conveniens*, in any proceeding by S&T Bank to enforce its rights hereunder. Employee agrees not to object to any petition filed by S&T Bank to remove an action filed by Employee from a forum or court not located in Indiana County, Pennsylvania. Should Employee object to a petition for removal, Employee agrees to be responsible for S&T Bank's legal fees and expenses associated with the removal of said petition.

9. **SERVICE OF PROCESS.** Employee irrevocably consents to the service of any summons and complaint and any other process which may be served in any action or proceeding arising out of or related to this Agreement by mailing by certified, registered mail a copy of such process to the Employee's last known address.

10. **SECTION 409A.** It is intended that payments and benefits made or provided under this Agreement shall not result in penalty taxes or accelerated taxation pursuant to Section 409A of the Code. Any payments that qualify for the "short -term deferral" exception, the separation pay exception or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of the limitation on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment of compensation. All payments to be made upon a termination of services under this Agreement may only be made upon a "separation from Service" under 409A of the Code to the extent necessary in order to avoid the imposition of penalty taxes on you pursuant to Section 409A of the Code. If the end of the calendar year in which employment terminates falls within the Release Period specified under Section 11 below, then any severance payments otherwise due under Section 1 of the Agreement in the year of termination shall be delayed until the later of the first regular payroll period following the end of the calendar year employment terminates of the date the Employee complies with Section 11 of this Agreement. The remaining severance payments shall then be made at the regular time.

11. **CHANGE-IN-CONTROL**. In the event of a change-in-control, as defined in Employee's Severance Agreement (a/k/a Change-In Control Agreement) employee shall not be entitled to receive the severance provided herein.

12. **RELEASE OF CLAIMS.** In order to receive the severance benefits, Employee will first have to agree to and sign a general release of all claims against S&T Bank in a form required by S&T Bank within twenty-one (21) days of receipt.

13. **ASSIGNMENT.** S&T Bank shall have the right to assign this Agreement to any successor organization. Employee agrees to be obligated by this Agreement to any successor, assign or surviving entity. Employee may not assign this Agreement.

14. **HEADINGS.** The headings used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

15. **NOTIFICATION RIGHTS**. Should Employee obtain employment subsequent to terminating employment with S&T Bank for any reason, Employee agrees to provide a copy of this Agreement to the new employer. Employee also agrees that S&T Bank has the right to notify any subsequent employer of the content of this Agreement.

16. **NO WAIVER**. S&T Bank's failure to insist upon strict compliance with any provisions of (whether or not similar), or to assert, any right under, this Agreement shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

17. **RIGHT TO CONSULT ATTORNEY.** Employee has the right to consult an attorney before agreeing to abide by the restrictions relating to current and future employment set forth in this Agreement.

18. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

19. **ELECTRONIC DOCUMENT.** Employee understands that this Agreement will be maintained in an electronic format by S&T, and that such document is as valid as the one that contains Employee's original signature.

Agreeing to be legally bound hereby, this 2nd day of November 2020, the parties affix their respective signatures below:

S&T BANK

David G. Antolik, President

Date: 11/2/2020

EMPLOYEE

Ernest J. Draganza

Date: 11/2/2020

Exhibit 31.1

CERTIFICATION

I, Todd D. Brice, certify that:

1. I have reviewed this quarterly report on Form 10-Q of S&T Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Todd D. Brice

Todd D. Brice, Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Mark Kochvar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of S&T Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Mark Kochvar

Mark Kochvar, Chief Financial Officer (Principal Financial Officer)

Exhibit 32

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
SARBANES-OXLEY ACT SECTION 906

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the S&T Bancorp, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd D. Brice, Chief Executive Officer of the Company, and I, Mark Kochvar, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and period covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer and Chief Financial Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

Date: November 4, 2020

/s/ Todd D. Brice
Todd D. Brice, Chief Executive Officer (Principal Executive Officer)

/s/ Mark Kochvar
Mark Kochvar, Chief Financial Officer (Principal Financial Officer)