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

Form 10-K

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

For the fiscal year ended December 31, 2021
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)**

Registrant's telephone number, including area code (800) 325-2265
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: **None**
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. The aggregate estimated fair value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2021:

Common Stock, $2.50 par value – $1,148,828,816

The number of shares outstanding of each of the registrant's classes of common stock as of February 25, 2022:

Common Stock, $2.50 par value –36,703,796

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of S&T Bancorp, Inc., to be filed pursuant to Regulation 14A for the annual meeting of shareholders to be held May 16, 2022, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Item 1. BUSINESS

General

S&T Bancorp, Inc. was incorporated on March 17, 1983 under the laws of the Commonwealth of Pennsylvania as a bank holding company and is registered with the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, under the Bank Holding Company Act of 1956, as amended, or the BHCA, as a bank holding company and a financial holding company. S&T Bancorp, Inc. has five active direct wholly-owned subsidiaries including S&T Bank, 9th Street Holdings, Inc., STBA Capital Trust I, DNB Capital Trust I and DNB Capital Trust II, and owns a 50 percent interest in Commonwealth Trust Credit Life Insurance Company, or CTCLIC. DNB Capital Trust I and DNB Capital Trust II were acquired with the DNB merger on November 30, 2019. When used in this Report, "S&T", "we", "us" or "our" may refer to S&T Bancorp, Inc. individually, S&T Bancorp, Inc. and its consolidated subsidiaries or certain of S&T Bancorp, Inc.'s subsidiaries or affiliates, depending on the context. As of December 31, 2021, we had approximately $9.5 billion in assets, $7.0 billion in total loans, $8.0 billion in deposits and $1.2 billion in shareholders' equity.

On November 30, 2019, pursuant to the terms and conditions of the Agreement and Plan of Merger, dated as of June 5, 2019 (the "Merger Agreement"), by and between S&T Bancorp, Inc. ("S&T") and DNB Financial Corporation ("DNB"), DNB merged with and into S&T (the "DNB Merger"), with S&T continuing as the surviving corporation. At the effective time of the DNB Merger, each share of the common stock of DNB issued and outstanding was converted into the right to receive 1.22 shares of S&T common stock. The transaction was valued at $201.0 million and added total assets of $1.1 billion, including $909.0 million in loans, as well as $967.3 million in deposits.

S&T Bank is a full-service bank that operates in five markets including Western Pennsylvania, Eastern Pennsylvania, Northeast Ohio, Central Ohio and Upstate New York. S&T Bank deposits are insured by the Federal Deposit Insurance Corporation, or FDIC, to the maximum extent provided by law. S&T Bank has four active wholly-owned operating subsidiaries including S&T Insurance Group, LLC, S&T Bancholdings, Inc., Stewart Capital Advisors, LLC, and DN Acquisition Company, Inc.

Through S&T Bank and our non-bank subsidiaries, we offer consumer, commercial and small business banking services, which include accepting time and demand deposits and originating commercial and consumer loans, brokerage services and trust services including serving as executor and trustee under wills and deeds and as guardian and custodian of employee benefits. We also manage private investment accounts for individuals and institutions through our registered investment advisor. Total Wealth Management assets under administration, which are not accounted for as part of our assets, were
$2.3 billion at December 31, 2021.

The main office of both S&T Bancorp, Inc. and S&T Bank is located at 800 Philadelphia Street, Indiana, Pennsylvania, and our phone number is (800) 325-2265.

Human Capital Management

As part of our mission to become the financial services provider of choice within the markets that we serve, we strive to employ talented people who are based in these communities and are dedicated to providing the best financial products and services to our customers. Our commitment to every customer starts with a talented team. To attract and retain our talented team we strive to make S&T an inclusive, safe and healthy workplace that provides our employees with opportunities to grow and develop. We consider our employees to be the bedrock of the company and instrumental in assisting our customers address the challenges facing our markets, in particular, during the ongoing COVID-19 pandemic. As of December 31, 2021, we had approximately 1,160 full time equivalent employees.

Our Team and Culture

Our team strives to embody values to encourage a culture that has enabled us to be named a top workplace. The specific words or phrases that serve as the basis for our culture and values are as follows:

- Serve Our Customers
- Challenge the Status Quo
- Communicate
- Empower Employees
- Work as a Team
- Trust Each Other
- Develop People
- Reward Success
- Measure Results
- Support Our Communities

Diversity and Inclusion

S&T Bank fosters a diverse work culture where employees work together to better our company, services and community. We are committed to promoting a diverse workforce and developing all people through:

- Equal Opportunity Employment
- Educating our employees and board of directors
- Fostering a culture to address employees' and customers' needs
- Partnering with diverse vendors

Our Compensation and Benefits Committee of the Board of Directors oversees our diversity and inclusion strategy, and at least annually, measures the success of diversity and inclusion initiatives by reviewing S&T's strategies and statistics from S&T's Human Capital Management System.

Diversity, equity, and inclusion, or DEI, is a commitment that we are focused on through various avenues to create awareness, provide education, support our colleagues and communities, develop and improve products and services, partner with diverse vendors and drive results tied to our overall organizational strategy. As part of our DEI strategy, our DEI Advisory Committee is expected to launch during 2022. The DEI Advisory Committee will be co-chaired by our Chief Executive Officer and Chief Human Resources Officer and be made up of colleagues from departments across our organization. Through a partnership with a vendor who specializes in diversity, the DEI Advisory Committee will work to develop objectives for the organization and metrics that will help us to understand our current state and what initiatives are needed to enhance our DEI strategy.

Talent Development and Training

Our Corporate Training Department maintains oversight of all training to ensure that it is implemented and monitored properly and encourages career development for our employees. Our training program offers a blended learning approach comprised of classroom and online course delivery. In 2020, many training sessions were converted to a virtual format through webinars and learning management system delivery for regulatory, compliance, skill-based, technology, leadership and career development. Certain trainings are conducted live based on the needs of the program. In 2021, our employees logged approximately 64,300 training hours, on average 56 hours per employee, which is an increase of approximately 15 percent compared to 2020.

Safety, Health and Wellness

The safety, health and well being of our employees is a top priority. We offer our employees and their families access to a variety of flexible and convenient health and welfare programs that provide resources to help them maintain and/or improve their physical and mental health. We also have a financial wellness program that assists our employees and their families with budgeting and various personal financial content consisting of an online personal financial program and internally produced webinars. We believe in the education and offering of programs and initiatives that make lasting positive impacts in the lives of our employees.

Continuing with the pandemic plan that was developed in March 2020, we enhanced several COVID-19 pandemic risk mitigation programs in 2021 to remain steadfast with the promotion of the health and safety of our employees and the customers and communities that we serve. Current measures include preventive healthcare and education measures for our employees through rigorous sanitation, social distancing, regular communication and signage refreshing, wearing masks and remote working where feasible. We amended training sessions, meetings and employee engagement events to virtual formats to continue business at the highest levels of engagement potential. We also amended our defined contribution plan to allow eligible COVID-19 pandemic related withdrawals under the CARES Act. In addition, we employ extensive safety measures at our branches and encourage our customers to use our online and mobile banking solutions. Our solution center hours have been extended to allow for customer consultation without entering a branch.

Access to United States Securities and Exchange Commission Filings

All of our reports filed electronically with the United States Securities and Exchange Commission, or the SEC, including this Annual Report on Form 10-K for the fiscal year ended December 31, 2021, our prior annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and our annual proxy statements, as well as any amendments to those reports, are accessible at no cost on our website at www.stbancorp.com under Financial Information, SEC Filings. These filings are also accessible on the SEC’s website at www.sec.gov. The charters of the Audit Committee, the Compensation and Benefits Committee, the Credit Risk Committee, the Executive Committee, the Nominating and Corporate Governance Committee, the Revenue Oversight Committee and the Risk Committee as well as the Complaints Regarding Accounting, Internal Accounting Controls or Auditing Matters ("Whistleblower Policy"), the Code of Conduct for the CEO and CFO, the General Code of Conduct, the Shareholder Communications Policy, and the Corporate Governance Guidelines are also available at www.stbancorp.com under Corporate Governance.

Supervision and Regulation

General

S&T is extensively regulated under federal and state law. Regulation of bank holding companies and banks is intended primarily for the protection of consumers, depositors, borrowers, the Federal Deposit Insurance Fund, or DIF, and the banking system as a whole, and not for the protection of shareholders or creditors. The following describes certain aspects of that regulation and does not purport to be a complete description of all regulations that affect S&T, or all aspects of any regulation discussed here. To the extent statutory or regulatory provisions are described, the description is qualified in its entirety by reference to the particular statutory or regulatory provisions.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, enacted in July 2010, has had and will continue to have a broad impact on the financial services industry, including significant regulatory and compliance changes addressing, among other things: (i) enhanced resolution authority of troubled and failing banks and their holding companies; (ii) increased capital and liquidity requirements; (iii) increased regulatory examination fees; (iv) changes to assessments to be paid to the FDIC for federal deposit insurance; (v) enhanced corporate governance and executive compensation requirements and disclosures; and (vi) numerous other provisions designed to improve supervision and oversight of, and strengthen safety and soundness for, the financial services sector. Additionally, the Dodd-Frank Act established a new framework for systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, the Federal Reserve Board, the Office of the Comptroller of the Currency and the FDIC. While many requirements called for in the Dodd-Frank Act have been implemented, these regulations are subject to continuing interpretation and potential amendment, and a variety of the requirements remain to be implemented. Given the continued uncertainty associated with the ongoing implementation of the requirements of the Dodd-Frank Act by the various regulatory agencies, including the manner in which the remaining provisions will be implemented and the interpretation of and potential amendments to existing regulations, the full extent of the impact of such requirements on financial institutions’ operations remains unclear, but management expects will continue to affect us in some way. The continuing changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, increase our operating and compliance costs, or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements.

In addition, proposals to change the laws and regulations governing the banking industry are frequently raised in Congress, in state legislatures and before the various bank regulatory agencies that may impact S&T. Such initiatives to change the laws and regulations may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Any such legislation could change bank statutes and our operating environment in substantial and unpredictable ways. If enacted, such legislation could affect how S&T and S&T Bank operate and could significantly increase costs, impede the efficiency of internal business processes, limit our ability to pursue business opportunities in an efficient manner, or affect the competitive balance among banks, credit unions and other financial institutions, any of which could materially and adversely affect our business, financial condition and results of operations. The likelihood and timing of any changes and the impact such changes might have on S&T is impossible to determine with any certainty.

S&T

We are a bank holding company subject to regulation under the BHCA and the examination and reporting requirements of the Federal Reserve Board. Under the BHCA, a bank holding company may not directly or indirectly acquire ownership or control of more than five percent of the voting shares or substantially all of the assets of any additional bank, or merge or consolidate with another bank holding company, without the prior approval of the Federal Reserve Board.

As a bank holding company, we are expected under statutory and regulatory provisions to serve as a source of financial and managerial strength to our subsidiary bank. A bank holding company is also expected to commit resources, including capital and other funds, to support its subsidiary bank.

We elected to become a financial holding company under the BHCA in 2001 and thereby may engage in a broader range of financial activities than are permissible for traditional bank holding companies. In order to maintain our status as a financial holding company, we must remain "well-capitalized" and "well-managed" and the depository institutions controlled by us must remain "well-capitalized," "well-managed" (as defined in federal law) and have at least a "satisfactory" Community Reinvestment Act, or CRA, rating. Refer to Note 26 Regulatory Matters to the Consolidated Financial Statements contained in Part II, Item 8 of this Report for information concerning the current capital ratios of S&T and S&T Bank. No prior regulatory approval is required for a financial holding company with total consolidated assets less than $50 billion to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board, unless the total consolidated assets to be acquired exceed $10 billion. The BHCA identifies several activities as "financial in nature" including, among others, securities underwriting; dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and sales agency; investment advisory activities; merchant banking activities and activities that the Federal Reserve Board has determined to be closely related to banking. Banks may also engage in, subject to limitations on investment, activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment, through a financial subsidiary of the bank, if the bank is "well-capitalized," "well-managed" and has at least a "satisfactory" CRA rating.

If S&T or S&T Bank ceases to be "well-capitalized" or "well-managed," we will not be in compliance with the requirements of the BHCA regarding financial holding companies or requirements regarding the operation of financial subsidiaries by insured banks.

If a financial holding company is notified by the Federal Reserve Board of such a change in the ratings of any of its subsidiary banks, it must take certain corrective actions within specified time frames. Furthermore, if S&T Bank was to receive a CRA rating of less than "satisfactory," then we would be prohibited from engaging in certain new activities or acquiring companies engaged in certain financial activities until the rating is raised to "satisfactory" or better.

We are presently engaged in non-banking activities through the following six entities:

- 9th Street Holdings, Inc. was formed in June 1988 to hold and manage a group of investments previously owned by S&T Bank and to give us additional latitude to purchase other investments.
- S&T Bancholdings, Inc. was formed in August 2002 to hold and manage a group of investments previously owned by S&T Bank and to give us additional latitude to purchase other investments.
- CTCLIC is a joint venture with another financial institution, and acts as a reinsurer of credit life, accident and health insurance policies that were sold by S&T Bank and the other institution. S&T Bank and the other institution each have ownership interests of 50 percent in CTCLIC.
- S&T Insurance Group, LLC distributes life insurance and long-term disability income insurance products. During 2001, S&T Insurance Group, LLC and Attorneys Abstract Company, Inc. entered into an agreement to form S&T Settlement Services, LLC, or STSS, with respective ownership interests of 55 percent and 45 percent. STSS is a title insurance agency servicing commercial customers. We also have a 30 percent partnership interest in Evergreen Insurance, LLC.
- Stewart Capital Advisors, LLC was formed in August 2005 and is a registered investment advisor that manages private investment accounts for individuals and institutions.
- DN Acquisition Company, Inc. was acquired with the DNB First merger on November 30, 2019. DN Acquisition Company, Inc. was formed to acquire and hold Other Real Estate Owned acquired through foreclosure or deed in-lieu-of foreclosure, as well as Bank-occupied real estate.

S&T Bank

As a Pennsylvania-chartered, FDIC-insured non-member commercial bank, S&T Bank is subject to the supervision and regulation of the Pennsylvania Department of Banking and Securities, or PADBS, and the FDIC. We are also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types, amount and terms and conditions of loans that may be granted and limits on the types of other activities in which S&T Bank may engage and the investments it may make. In addition, pursuant to the federal Bank Merger Act, S&T Bank must obtain the prior approval of the FDIC before it can merge or consolidate with or acquire the assets or assume the deposit liabilities of another bank.

S&T Bank is subject to affiliate transaction rules in Sections 23A and 23B of the Federal Reserve Act as implemented by the Federal Reserve Board's Regulation W, that limit the amount of transactions between itself and S&T or any other company or entity that controls or is under common control with any company or entity that controls S&T Bank, including for most purposes any financial or depository institution subsidiary of S&T Bank. Under these provisions, “covered” transactions, including making loans, purchasing assets, issuing guarantees and other similar transactions, between a bank and its parent company or any other affiliate, generally are limited to 10 percent of the bank subsidiary’s capital and surplus, and with respect to all transactions with affiliates, are limited to 20 percent of the bank subsidiary’s capital and surplus. Loans and extensions of credit from a bank to an affiliate generally are required to be secured by eligible collateral in specified amounts, and in general all affiliated transactions must be on terms consistent with safe and sound banking practices. Furthermore, in general, transactions between a bank and its affiliates must be on terms and conditions that are at least as favorable to the bank as the terms that would apply in comparable transactions between the bank and a third party. The Dodd-Frank Act expanded the affiliate transaction rules to broaden the definition of affiliate to include as covered transactions securities borrowing or lending, repurchase or reverse repurchase agreements and derivative activities, and to strengthen collateral requirements and limit Federal Reserve exemptive authority.

Federal law also constrains the types and amounts of loans that S&T Bank may make to its executive officers, directors and principal shareholders. Among other things, these loans are limited in amount, must be approved by the bank’s board of directors in advance, and must be on terms and conditions as favorable to the bank as those available to an unrelated person. The Dodd-Frank Act strengthened restrictions on loans to insiders and expanded the types of transactions subject to the various limits to include credit exposure arising from a derivative transaction, a repurchase or reverse repurchase agreement and a securities lending or borrowing transaction. The Dodd-Frank Act also placed restrictions on certain asset sales to and from an insider to an institution, including requirements that such sales be on market terms and, in certain circumstances, approved by the institution’s board of directors.

Insurance of Accounts; Depositor Preference

The deposits of S&T Bank are insured up to applicable limits per insured depositor by the DIF, as administered by the FDIC. The Dodd-Frank Act codified FDIC deposit insurance coverage per separately insured depositor for all account types at $250,000.

As an FDIC-insured bank, S&T Bank is subject to FDIC insurance assessments, which are imposed based upon the calculated risk the institution poses to the DIF.

Under the current assessment system, for an institution with less than $10 billion in assets, assessment rates are determined based on a combination of financial ratios and CAMELS composite ratings. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits. Under the current system, premiums are assessed quarterly. Assessments are calculated as a percentage of average consolidated total assets less average tangible equity during the assessment period. The current total base assessment rates on an annualized basis range from 1.5 basis points for certain “well-capitalized,” “well-managed” banks, with the highest ratings, to 40 basis points for complex institutions posing the most risk to the DIF. The FDIC may raise or lower these assessment rates on a quarterly basis based on various factors designed to achieve a minimum designated reserve ratio of the DIF, which the Dodd-Frank Act has mandated to be no less than 1.35 percent of estimated insured deposits, subsequently set at two percent by the FDIC.

The FDIC may terminate the deposit insurance of any insured depository institution if it determines after a hearing that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the Federal Reserve Board. It also may suspend deposit insurance temporarily during the hearing process if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of termination, less subsequent withdrawals, will continue to be insured for a period of six months to two years, as determined by the FDIC.

Under federal law, deposits and certain claims for administrative expenses and employee compensation against insured depository institutions are afforded a priority over other general unsecured claims against such an institution, including federal funds and letters of credit, in the liquidation or other resolution of such an institution by a receiver. Such priority creditors would include the FDIC.

Capital

The Federal Reserve Board and the FDIC have issued substantially similar minimum risk-based and leverage capital rules applicable to the banking organizations they supervise. At December 31, 2021, both S&T and S&T Bank met the applicable minimum regulatory capital requirements.

The following table summarizes the leverage and risk-based capital ratios for S&T and S&T Bank:

	Actual		Minimum Regulatory Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2021						
Leverage Ratio						
S&T	$ 889,785	9.74 %	$ 365,535	4.00 %	$ 456,918	5.00 %
S&T Bank	864,127	9.46 %	365,544	4.00 %	456,930	5.00 %
Common Equity Tier 1 (to Risk-Weighted Assets)						
S&T	860,785	12.03 %	322,109	4.50 %	465,268	6.50 %
S&T Bank	864,127	12.09 %	321,711	4.50 %	464,694	6.50 %
Tier 1 Capital (to Risk-Weighted Assets)						
S&T	889,785	12.43 %	429,479	6.00 %	572,638	8.00 %
S&T Bank	864,127	12.09 %	428,948	6.00 %	571,931	8.00 %
Total Capital (to Risk-Weighted Assets)						
S&T	987,420	13.79 %	572,638	8.00 %	715,798	10.00 %
S&T Bank	961,762	13.45 %	571,931	8.00 %	714,913	10.00 %

In addition, the banking regulatory agencies may from time to time require that a banking organization maintain capital above the minimum prescribed levels, whether because of its financial condition or actual or anticipated growth.

The risk-based capital standards establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures explicitly into account in assessing capital adequacy and minimizes disincentives to holding liquid, low-risk assets. For purposes of the risk-based ratios, assets and specified off-balance sheet instruments are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. The leverage ratio represents capital as a percentage of total average assets adjusted as specified in the guidelines.

In July 2013 the federal banking agencies issued final regulatory capital rules that replaced the then existing general risk-based capital and related rules, broadly revising the basic definitions and elements of regulatory capital and making substantial changes to the risk weightings for banking and trading book assets. These regulatory capital rules are designed to implement Basel III (which were agreements reached in July 2010 by the international oversight body of the Basel Committee on Banking Supervision to require more and higher-quality capital) as well as the minimum leverage and risk-based capital requirements of the Dodd-Frank Act. These capital standards apply to all banks, regardless of size, and to all bank holding companies with consolidated assets greater than $500 million and became effective on January 1, 2015. For smaller banking organizations such as S&T and S&T Bank, the rules were subject to a transition period providing for full implementation as of January 1, 2019.

The required regulatory capital minimum ratios applicable to S&T under the new capital standards as of December 31, 2021 (without consideration of the capital conservation buffer discussed below) are as follows:

- Common equity Tier 1 risk-based capital ratio (common equity Tier 1 capital to standardized total risk-weighted assets) of 4.50 percent;
- Tier 1 risk-based capital ratio (Tier 1 capital to standardized total risk-weighted assets) of 6.00 percent;
- Total risk-based capital ratio (total capital to standardized total risk-weighted assets) of 8.00 percent; and
- Leverage ratio (Tier 1 capital to average total consolidated assets less amounts deducted from Tier 1 capital) of 4.00 percent.

Generally, under the guidelines, common equity Tier 1 capital consists of common stock instruments that meet the eligibility criteria in the rule, retained earnings, accumulated other comprehensive income and common equity Tier 1 minority

interest, less applicable regulatory adjustments and deductions including goodwill, intangible assets subject to limitation and certain deferred tax assets subject to limitation. Tier 1 capital is comprised of common equity Tier 1 capital plus generally non-cumulative perpetual preferred stock, Tier 1 minority interests and, for bank holding companies with less than $15 billion in consolidated assets at December 31, 2009, certain restricted capital instruments including qualifying cumulative perpetual preferred stock and grandfathered trust preferred securities, up to a limit of 25 percent of Tier 1 capital, less applicable regulatory adjustments and deductions. Tier 2, or supplementary, capital generally includes portions of trust preferred securities and cumulative perpetual preferred stock not otherwise counted in Tier 1 capital, as well as preferred stock, subordinated debt, total capital minority interests not included in Tier 1, and the allowance for credit losses, or ACL, in an amount not exceeding 1.25 percent of standardized risk-weighted assets, less applicable regulatory adjustments and deductions. Total capital is the sum of Tier 1 and Tier 2 capital.

After a phase in period beginning in 2016, these regulatory capital rules also require a banking organization to maintain a capital conservation buffer composed of common equity Tier 1 capital in an amount greater than 2.50 percent of total risk-weighted assets beginning in 2019. As a result, since 2019, a banking organization has been required to maintain a common equity Tier 1 risk-based capital ratio greater than 7.00 percent, a Tier 1 risk-based capital ratio greater than 8.50 percent and a Total risk-based capital ratio greater than 10.50 percent; otherwise, it will be subject to restrictions on capital distributions and discretionary bonus payments. Since 2019 the minimum capital requirements plus the capital conservation buffer exceed the regulatory capital ratios required for an insured depository institution to be well-capitalized under prompt corrective action law, described in "Other Safety and Soundness Regulations".

These regulatory capital rules also revise the calculation of risk-weighted assets, including a new framework under which the risk weight will increase for most credit exposures that are 90 days or more past due or on nonaccrual, high-volatility commercial real estate loans, mortgage servicing and deferred tax assets that are not deducted from capital and certain equity exposures. The rules include changes to the credit conversion factors of off-balance sheet items, such as the unused portion of a loan commitment.

Federal regulators periodically propose amendments to the regulatory capital rules and the related regulatory framework and consider changes to the capital standards that could significantly increase the amount of capital needed to meet applicable standards. The timing of adoption, ultimate form and effect of any such proposed amendments cannot be predicted.

Payment of Dividends

S&T is a legal entity separate and distinct from its banking and other subsidiaries. A substantial portion of our revenues consist of dividend payments we receive from S&T Bank. The payment of common dividends by S&T is subject to certain requirements and limitations of Pennsylvania law. S&T Bank, in turn, is subject to federal and state laws and regulations that limit the amount of dividends it can pay to S&T. In addition, both S&T and S&T Bank are subject to various general regulatory policies relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The Federal Reserve Board has indicated that banking organizations should generally pay dividends only if (i) the organization’s net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the organization’s capital needs, asset quality and overall financial condition. In connection with our reduced net income and our inability to fully fund the dividend from net income available to common shareholders over the past year, due in substantial part to the customer fraud that occurred in the second quarter of 2020, we received non-objection letters from the Federal Reserve to continue to pay our dividends declared in the third and fourth quarter of 2020 and first and second quarter of 2021. Beginning in the third quarter of 2021, we no longer needed to obtain a non-objection letter with respect to our dividend.Thus, under certain circumstances based upon our financial condition, our ability to declare and pay quarterly dividends may require consultation with the Federal Reserve Board and may be prohibited by applicable Federal Reserve Board guidance.

Other Safety and Soundness Regulations

There are a number of obligations and restrictions imposed on bank holding companies such as us and our depository institution subsidiary by federal law and regulatory policy. These obligations and restrictions are designed to reduce potential loss exposure to the FDIC's DIF in the event an insured depository institution becomes in danger of default or is in default. Under current federal law, for example, the federal banking agencies possess broad powers to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institution in question is "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized," as defined by the law. As of December 31, 2021, S&T Bank was classified as "well-capitalized." New definitions of these categories, as set forth in the federal banking agencies' final rule to implement Basel III and the minimum leverage and risk-based capital requirements of the Dodd-Frank Act, became effective as of January 1, 2015. To be well-capitalized, an insured depository institution must have a common equity Tier 1 risk-based capital ratio of at least 6.50 percent, a Tier 1 risk-based capital ratio of at least 8.00 percent, a total risk-based capital ratio of at least 10.00 percent and a leverage ratio of at least 5.00 percent, and the institution must not be subject to any written agreement, order, capital directive or prompt corrective action directive by its primary federal regulator. To be adequately capitalized, an insured depository institution must have a common equity Tier 1 risk-based capital ratio of at least 4.50 percent, a Tier 1 risk-based capital ratio of at least 6.00 percent, a total risk-based capital ratio of at least 8.00 percent and a leverage ratio of at least 4.00 percent. The classification of depository institutions is primarily for the purpose of applying the federal banking agencies' prompt corrective action provisions and is not intended to be and should not be interpreted as a representation of overall financial condition or prospects of any financial institution.

The federal banking agencies' prompt corrective action powers, which increase depending upon the degree to which an institution is undercapitalized, can include, among other things, requiring an insured depository institution to adopt a capital restoration plan, which cannot be approved unless guaranteed by the institution's parent company; placing limits on asset growth and restrictions on activities, including restrictions on transactions with affiliates; restricting the interest rates the institution may pay on deposits; restricting the institution from accepting brokered deposits; prohibiting the payment of principal or interest on subordinated debt; prohibiting the holding company from making capital distributions, including payment of dividends, without prior regulatory approval; and, ultimately, appointing a receiver for the institution.

The federal banking agencies have also adopted guidelines prescribing safety and soundness standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, fees and compensation and benefits. In general, the guidelines require appropriate systems and practices to identify and manage specified risks and exposures. The guidelines prohibit excessive compensation as an unsafe and unsound practice and characterize compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the agencies have adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not in compliance with any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an "undercapitalized" institution is subject under the prompt corrective action provisions described above.

Regulatory Enforcement Authority

The enforcement powers available to federal banking agencies are substantial and include, among other things and in addition to other powers described herein, the ability to assess civil money penalties and impose other civil and criminal penalties, to issue cease-and-desist or removal orders, to appoint a conservator to conserve the assets of an institution for the benefit of its depositors and creditors and to initiate injunctive actions against banks and bank holding companies and "institution affiliated parties," as defined in the Federal Deposit Insurance Act. In general, these enforcement actions may be initiated for violations of laws and regulations, and engagement in unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

At the state level, the PADBS also has broad enforcement powers over S&T Bank, including the power to impose fines and other penalties and to appoint a conservator or receiver.

Interstate Banking and Branching

The BHCA currently permits bank holding companies from any state to acquire banks and bank holding companies located in any other state, subject to certain conditions, including certain nationwide and state-imposed deposit concentration limits. In addition, because of changes to law made by the Dodd-Frank Act, S&T Bank may now establish de novo branches in any state to the same extent that a bank chartered in that state could establish a branch.

Community Reinvestment, Fair Lending and Consumer Protection Laws

In connection with its lending activities, S&T Bank is subject to a number of state and federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. The federal laws include, among others, the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Truth-in-Savings Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Fair Credit Reporting Act and the CRA. In addition, federal rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent the disclosure of certain personal information to nonaffiliated third parties.

The CRA requires the appropriate federal banking agency, in connection with its examination of a bank, to assess the bank's record in meeting the credit needs of the communities served by the bank, including low and moderate-income neighborhoods. Furthermore, such assessment is required of any bank that has applied, among other things, to merge or consolidate with or acquire the assets or assume the liabilities of an insured depository institution, or to open or relocate a branch office. In the case of a bank holding company, including a financial holding company, applying for approval to acquire a bank or bank holding company, the Federal Reserve Board will assess the record of each subsidiary bank of the applicant bank holding company in considering the application. Under the CRA, institutions are assigned a rating of "outstanding," "satisfactory," "needs to improve" or "unsatisfactory." S&T Bank was rated "satisfactory" in its most recent CRA evaluation.

In December 2019, the OCC and FDIC issued a notice of proposed rulemaking related to the CRA. In 2020 the OCC issued its final revised CRA rule, but the FDIC did not finalize the revisions to its CRA rule. In September 2020, the Federal Reserve Board issued an Advance Notice of Proposed Rulemaking ("ANPR") that invites public comment on an approach to modernize the regulations that implement the CRA by strengthening, clarifying, and tailoring them to reflect the current banking landscape and better meet the core purpose of the CRA. The ANPR seeks feedback on ways to evaluate how banks meet the needs of low- and moderate-income communities and address inequities in credit access. On December 14, 2021, the OCC issued a final rule to rescind its June 2020 CRA rule and replace it with a rule based on the rules adopted jointly by the federal banking agencies in 1995, as amended. The Company will continue to monitor any changes to the regulations implementing the CRA in light of increased focus on modernizing the rules.

With respect to consumer protection, the Dodd-Frank Act created the Consumer Financial Protection Bureau, or the CFPB, which took over rulemaking responsibility on July 21, 2011 for the principal federal consumer financial protection laws, such as those identified above. Institutions that have assets of $10 billion or less, such as S&T Bank, are subject to the rules established by the CFPB but will continue to be supervised in this area by their state and primary federal regulators, which in the case of S&T Bank is the FDIC. The Dodd-Frank Act also gives the CFPB expanded data collection powers for fair lending purposes for both small business and mortgage loans, as well as expanded authority to prevent unfair, deceptive and abusive practices. The consumer complaint function also has been consolidated into the CFPB with respect to the institutions it supervises. The CFPB established an Office of Community Banks and Credit Unions, with a mission to ensure that the CFPB incorporates the perspectives of small depository institutions into the policy-making process, communicates relevant policy initiatives to community banks and credit unions, and works with community banks and credit unions to identify potential areas for regulatory simplification.

Fair lending laws prohibit discrimination in the provision of banking services, and the enforcement of these laws has been a focus for bank regulators. Fair lending laws include the Equal Credit Opportunity Act and the Fair Housing Act, which outlaw discrimination in credit transactions and residential real estate on the basis of prohibited factors including, among others, race, color, national origin, sex and religion. A lender may be liable for policies that result in a disparate treatment of or have a disparate impact on a protected class of applicants or borrowers. If a pattern or practice of lending discrimination is alleged by a regulator, then that agency may refer the matter to the U.S. Department of Justice, or DOJ, for investigation. In December of 2012, the DOJ and the CFPB entered into a Memorandum of Understanding under which the agencies have agreed to share information, coordinate investigations and have generally committed to strengthen their coordination efforts. S&T Bank is required to have a fair lending program that is of sufficient scope to monitor the inherent fair lending risk of the institution and that appropriately remediates issues which are identified.

During 2013, the CFPB issued a series of final rules related to mortgage loan origination and mortgage loan servicing, which became effective in 2014. In particular, on January 10, 2013, the CFPB issued a final rule implementing the ability-to-repay and qualified mortgage (QM) provisions of the Truth-in-Lending Act, as amended by the Dodd-Frank Act ("QM Rule"). The ability-to-repay provision requires creditors to make reasonable, good-faith determinations that borrowers are able to repay their mortgage loans before extending the credit, based on a number of factors and consideration of financial information about the borrower from reasonably reliable third-party documents. Under the Dodd-Frank Act and the QM Rule, loans meeting the definition of "qualified mortgage" are entitled to a presumption that the lender satisfied the ability-to-repay requirements. The presumption is a conclusive presumption/safe harbor for prime loans meeting the QM requirements, and a rebuttable presumption for higher-priced/subprime loans meeting the QM requirements. The QM Rule also adds an explicit maximum
43 percent debt-to-income ratio (DTI) for borrowers if the loan is to meet the QM definition, though some mortgages that meet government-sponsored enterprise, or GSE, Federal Housing Administration, or FHA, and Veterans Affairs, or VA, underwriting guidelines may, for a period not to exceed seven years, meet the QM definition without being subject to the
43 percent DTI limits (GSE Patch). These rules did not have a material impact on our mortgage business. In December 2020, the CFPB published a final rule that replaced the 43 percent DTI ratio limit in the general QM definition (the "General QM Rule") and a final rule that created a new category of qualified mortgage, called a seasoned qualified mortgage, for first lien, fixed rate covered loans that meet certain performance requirements, are held in portfolio by the originating creditor or first purchaser for a 36-month period, comply with general restrictions on product features and points and fees, and meet certain underwriting requirements. The initial compliance date of the final rules was July 1, 2021. In April 2021, the CFPB published a final rule extending the mandatory compliance date of the General QM Rule to October 1, 2022 and thereby also extending the GSE Patch to October 1, 2022 or the date the applicable GSE exits conservatorship, whichever happens first.

Anti-Money Laundering Rules

S&T Bank is subject to the Bank Secrecy Act, its implementing regulations and other anti-money laundering laws and regulations, including the USA Patriot Act of 2001. Among other things, these laws and regulations require S&T Bank to take steps to prevent the bank from being used to facilitate the flow of illegal or illicit money, to report large currency transactions and to file suspicious activity reports. S&T Bank is also required to develop and implement a comprehensive anti-money laundering compliance program. Banks must also have in place appropriate "know your customer" policies and procedures which includes requirements to (1) identify and verify, subject to certain exceptions, the identity of the beneficial owners of all legal entity customers at the time a new account is opened, and (2) include in its anti-money laundering program, risk-based procedures for conducting ongoing customer due diligence, which are to include procedures that (a) assist in understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile, and (b) require ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA Patriot Act of 2001 require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when considering applications for bank mergers and bank holding company acquisitions.

Other Dodd-Frank Provisions

In December 2013, federal regulators adopted final regulations regarding the Volcker Rule established in the Dodd-Frank Act. The Volcker Rule generally prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies generally covering hedge funds and private equity funds, subject to certain exemptions. Banking entities had until July 21, 2017 to conform their activities to the requirements of the rule. Because S&T generally does not engage in the activities prohibited by the Volcker Rule, the effectiveness of the rule has not had a material effect on S&T Bank or its affiliates.

In addition, the Dodd-Frank Act provides that the amount of any interchange fee charged for electronic debit transactions by debit card issuers having assets over $10 billion must be reasonable and proportional to the actual cost of a transaction to the issuer. The Federal Reserve Board has adopted a rule which limits the maximum permissible interchange fees that such issuers can receive for an electronic debit transaction. This rule, Regulation II, which was effective October 1, 2011, does not apply to a bank that, together with its affiliates, has less than $10 billion in assets, which includes S&T.

Competition

S&T Bank competes with other local, regional and national financial services providers, such as other financial holding companies, commercial banks, credit unions, finance companies, brokerage and insurance firms and financial technology companies, including competitors that provide their products and services online and through mobile devices. Some of our competitors are not subject to the same level of regulation and oversight that is required of banks and bank holding companies and are thus able to operate under lower cost structures. Our wealth management business competes with trust companies, mutual fund companies, investment advisory firms, law firms, brokerage firms and other financial services companies.

Changes in bank regulation, such as changes in the products and services banks can offer and permitted involvement in non-banking activities by bank holding companies, as well as bank mergers and acquisitions, can affect our ability to compete with other financial services providers. Our ability to do so will depend upon how successfully we can respond to the evolving competitive, regulatory, technological and demographic developments affecting our operations.

Our customers are primarily in Pennsylvania and the contiguous states of Ohio, West Virginia, New York, Maryland and Delaware. The majority of our commercial and consumer loans are made to businesses and individuals in these states resulting in a geographic concentration. Our market area has a high density of financial institutions, some of which are significantly larger institutions with greater financial resources than us, and many of which are our competitors to varying degrees. Our competition for loans comes principally from commercial banks, mortgage banking companies, credit unions, online lenders and other financial service companies. Our most direct competition for deposits has historically come from commercial banks and credit unions. We face additional competition for deposits from non-depository competitors such as the mutual fund industry, securities and brokerage firms, insurance companies and financial technology companies. Because larger competitors have advantages in attracting business from larger corporations, we do not generally attempt to compete for that business. Instead, we concentrate our efforts on attracting the business of individuals, and small and medium-size businesses. We consider our competitive advantages to be customer service and responsiveness to customer needs, the convenience of banking offices and hours, access to electronic banking services and the availability and pricing of our customized banking solutions. We emphasize personalized banking and the advantage of local decision-making in our banking business.

The financial services industry is likely to become more competitive as further technological advances enable more companies to provide financial services on a more efficient and convenient basis. Technological innovations have lowered traditional barriers to entry and enabled many companies to compete in financial services markets. Many customers now expect a choice of banking options for the delivery of services, including traditional banking offices, telephone, internet, mobile, ATMs, self-service branches, in-store branches and/or digital and technology based solutions. These delivery channels are offered by traditional banks and savings associations, credit unions, brokerage firms, asset management groups, financial technology companies, finance and insurance companies, internet-based companies, and mortgage banking firms.

Item 1A. RISK FACTORS

Investments in our common stock involve risk. The following discussion highlights the risks that we believe are material to S&T, potentially impacting our business, results of operations, financial condition and cash flows. However, other factors not discussed below or elsewhere in this Annual Report on Form 10-K could adversely affect our businesses, results of operations and financial condition. Therefore, the risk factors below do necessarily include all risks that we may face.

Risks Related to Credit

Our ability to assess the credit-worthiness of our customers may diminish, which may adversely affect our results of operations.

We incur credit risk by virtue of making loans and extending loan commitments and letters of credit. Credit risk is one of our most significant risks. Our exposure to credit risk is managed through the use of consistent underwriting standards that emphasize “in-market” lending while avoiding excessive industry and other concentrations. Our credit administration function employs risk management techniques to ensure that loans adhere to corporate policy and problem loans are promptly identified. There can be no assurance that such measures will be effective in avoiding undue credit risk. If the models and approaches that we use to select, manage and underwrite our consumer and commercial loan products become less predictive of future charge-offs, due to events adversely affecting our customers, including rapid changes in the economy, we may have higher credit losses.

The value of the collateral used to secure our loans may not be sufficient to compensate for the amount of an unpaid loans and we may be unsuccessful in recovering the remaining balances from our customers.

Decreases in real estate values, particularly with respect to our commercial lending and mortgage activities, could adversely affect the value of property used as collateral for our loans and our customers’ ability to repay these loans, which in turn could impact our profitability. Repayment of our commercial loans is often dependent on the cash flow of the borrower, which may become unpredictable. If the value of the assets, such as real estate, serving as collateral for the loan portfolio were to decline materially, a significant part of the loan portfolio could become under-collateralized. If the loans that are secured by real estate become troubled when real estate market conditions are declining or have declined, in the event of foreclosure, we may not be able to realize the amount of collateral that was anticipated at the time of originating the loan. This could result in higher charge-offs which could have a material adverse effect on our operating results and financial condition.

Changes in the overall credit quality of our portfolio can have a significant impact on our earnings.

Like other lenders, we face the risk that our customers will not repay their loans. We reserve for losses in our loan portfolio based on our assessment of expected credit losses. This process, which is critical to our financial results and condition, requires complex judgment including our assessment of economic conditions, which are difficult to predict. Through a periodic review of the loan portfolio, management determines the amount of the ACL by considering historical losses combined with qualitative factors including changes in lending policies and practices, economic conditions, changes in the loan portfolio, changes in lending management, results of internal loan reviews, asset quality trends, collateral values, concentrations of credit risk and other external factors. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control. Although we have policies and procedures in place to determine future losses, due to the subjective nature of this area, there can be no assurance that our management has accurately assessed the level of allowances reflected in our Consolidated Financial Statements. We may underestimate our expected credit losses and fail to hold an ACL sufficient to account for these losses. Incorrect assumptions could lead to material underestimates of expected losses and an inadequate ACL. As our assessment of expected losses changes, we may need to increase or decrease our ACL, which could significantly impact our financial results and profitability.

The adoption of ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, referred to as CECL, effective for us on January 1, 2020, resulted in a significant change in how we recognize credit losses. If the assumptions or estimates we used in adopting the new standard are incorrect or we need to change our underlying assumptions, there may be a material adverse impact on our results of operations and financial condition.

Effective January 1, 2020, we adopted CECL, which replaces the incurred loss impairment methodology in current U.S. generally accepted accounting principles, or GAAP, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. The measurement of expected credit losses is to be based on historical loss experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the incurred loss model which delayed

recognition until it was probable a loss had been incurred. Upon origination of a loan, the estimate of expected credit losses, and any subsequent changes to such estimate, will be recorded through provision for credit losses in our consolidated statement of income. The CECL model may create more volatility in the level of our ACL.

The CECL model permits the use of judgment in determining the approach that is most appropriate for us, based on facts and circumstances. Changes in economic conditions affecting borrowers, new information regarding our loans and other factors, both within and outside of our control, may require an increase in the ACL. Actual credit losses may exceed our estimate of expected losses. We will continue to periodically review and update our CECL methodology, models and the underlying assumptions, estimates and assessments we use to establish our ACL under the CECL standard to reflect our view of current conditions and reasonable and supportable forecasts. We will implement further enhancements or changes to our methodology, models and the underlying assumptions, estimates and assessments, as needed. If the assumptions we used in developing our estimate of expected credit losses require updating over time, there may be a material adverse impact on our results of operations and financial condition.

For additional information on our adoption of the CECL standard, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*.

Our loan portfolio is concentrated within our market area, and our lack of geographic diversification increases our risk profile.

The regional economic conditions within our market area affect the demand for our products and services as well as the ability of our customers to repay their loans and the value of the collateral securing these loans. A significant decline in the regional economy caused by inflation, recession, unemployment or other factors could negatively affect our customers, the quality of our loan portfolio and the demand for our products and services. Any sustained period of increased payment delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition. Moreover, we cannot give any assurance that we will benefit from any market growth or favorable economic conditions in our primary market area.

Our loan portfolio has a significant concentration of commercial loans that have a higher risk of loss.

The majority of our loans are to commercial borrowers including commercial and industrial, or C&I, commercial real estate, or CRE, and construction loans with real estate as the primary collateral. The commercial loan portfolio typically involves a higher degree of credit risk than other types of loans. For the C&I segment this is due to the customer's repayment ability being based upon the success of its business operations, the susceptibility of the customer's business to changing economic conditions, the dependence of our customer on maintaining sufficient cash flow to make payments on the loan and our reliance on the underlying collateral, which is usually only the business assets that may not have sufficient value when the borrower encounters financial difficulties. For the CRE segment higher risk is due to higher loan principal amounts, where the repayment of these loans is generally dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Because payments on loans secured by CRE often depend upon the successful operation and management of the properties, repayment of these loans may be affected by factors outside the borrower's control, including adverse conditions in the real estate market or the economy. Additionally, we have a number of significant credit exposures to commercial borrowers, and while the majority of these borrowers have numerous projects that make up the total aggregate exposure, if one or more of these borrowers default or have financial difficulties, we could experience higher credit losses, which could adversely impact our financial condition and results of operations. Further, an individual commercial loan balance is typically larger than other loans in our portfolio, creating the potential for larger credit losses on an individual loan. The deterioration of one or a few of these loans could have a material adverse effect on our financial condition and results of operations.

Risks Related to General Economic Conditions

General economic conditions may harm our industry, business and results of operations.

Various aspects of our business could be impacted by general macroeconomic conditions including, among others, inflation, interest rates, supply chain complications and economic uncertainty. Inflation rates in the United States have increased to levels not experienced in several years. Inflation, interest rates and related economic volatility, as well as supply chain complications, could adversely affect our business, financial condition, results of operations and cash flows. These unfavorable economic conditions could, among other things, impact the value of our securities portfolio, impact our net interest margin, adversely impact our customer's ability to make payments on floating rate loans, if interest rates rise, and increase the risk of default by our customers experiencing financial difficulties and business disruptions.

Risks Related to Our Operations

Failure to keep pace with technological changes could have a material adverse effect on our results of operations and financial condition.

The financial services industry is constantly undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better service customers and reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy their demands, as well as create additional efficiencies within our operations. Many of our large competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services quickly or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business, financial condition and results of operations.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties, could disrupt our businesses, and adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

Our operational and security systems, infrastructure, including our computer systems, data management and internal processes, as well as those of third parties, are integral to our business. We rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error, misconduct or malfeasance, or failure or breach of third- party systems or infrastructure, expose us to risk. We have taken measures to implement backup systems and other safeguards to support our operations, but our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with our own systems.

We handle a substantial volume of customer and other financial transactions every day. Our financial, accounting, data processing, check processing, electronic funds transfer, loan processing, online and mobile banking, automated teller machines, or ATMs, backup or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. This could adversely affect our ability to process these transactions or provide these services. There could be sudden increases in customer transaction volume, electrical, telecommunications or other major physical infrastructure outages, natural disasters, events arising from local or larger scale political or social matters, including terrorist acts, and cyber attacks. We continuously update these systems to support our operations and growth. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones. Operational risk exposures could adversely impact our results of operations, liquidity and financial condition, and cause reputational harm.

A cyber attack, information or security breach, or a technology failure of ours or of a third-party could adversely affect our ability to conduct our business or manage our exposure to risk, result in the disclosure or misuse of confidential or proprietary information, increase our costs to maintain and update our operational and security systems and infrastructure, and adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

Our business is highly dependent on the security and efficacy of our infrastructure, computer and data management systems, as well as those of third parties with whom we interact. Cyber security risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state actors. Our operations rely on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. We rely on digital technologies, computer, database and email systems, software, and networks to conduct our operations. In addition, to access our network and products and services, our customers and third parties may use personal mobile devices or computing devices that are outside of our network environment.

Financial services institutions have been subject to, and are likely to continue to be the target of, cyber attacks, including computer viruses, malicious or destructive code, phishing attacks, denial of service or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the institution, its employees or customers or of third parties, or otherwise materially disrupt network access or business

operations. For example, denial of service attacks have been launched against a number of large financial institutions and several large retailers have disclosed substantial cyber security breaches affecting debit and credit card accounts of their customers. We have experienced cyber security incidents in the past and although not material, we anticipate that, as a growing regional bank, we could experience further incidents. There can be no assurance that we will not suffer material losses or other material consequences relating to technology failure, cyber attacks or other information or security breaches.

In addition to external threats, insider threats also present a risk to us. Insiders, having legitimate access to our systems and the information contained in them, have the opportunity to make inappropriate use of the systems and information. We have policies, procedures, and controls in place designed to prevent or limit this risk, but we cannot guarantee that these policies, procedures and controls fully mitigate this risk.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify and enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents. Any of these matters could result in our loss of customers and business opportunities, significant disruption to our operations and business, misappropriation or destruction of our confidential information and/or that of our customers, or damage to our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, and additional compliance costs. In addition, any of the matters described above could adversely impact our results of operations and financial condition.

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. Fraudulent activity has escalated, become more sophisticated, and continues to evolve, as there are more options to access financial services. 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. 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.

We rely on third-party providers and other suppliers for a number of services that are important to our business. An interruption or cessation of an important service by any third-party could have a material adverse effect on our business.

We are dependent for the majority of our technology, including our core operating system, on third-party providers. If these companies were to discontinue providing services to us, we may experience significant disruption to our business. In addition, each of these third parties faces the risk of cyber attack, information breach or loss, or technology failure. If any of our third-party service providers experience such difficulties, or if there is any other disruption in our relationships with them, we may be required to find alternative sources of such services. We are dependent on these third-party providers securing their information systems, over which we have limited control, and a breach of their information systems could adversely affect our ability to process transactions, service our clients or manage our exposure to risk and could result in the disclosure of sensitive, personal customer information, which could have a material adverse impact on our business through damage to our reputation, loss of business, remedial costs, additional regulatory scrutiny or exposure to civil litigation and possible financial liability. Assurance cannot be provided that we could negotiate terms with alternative service sources that are as favorable or could obtain services with similar functionality as found in existing systems without the need to expend substantial resources, if at all, thereby resulting in a material adverse impact on our business and results of operations.

Failure to continue to attract, develop, and maintain a highly skilled workforce may have an adverse effect on our business.

Our business requires that we attract, develop, and maintain a highly skilled workforce. Competition for qualified employees and personnel in the banking industry is strong, and there are a limited number of qualified persons with knowledge of, and experience in, the banking industry where we conduct our business. Our ability to attract and retain skilled personnel cost effectively is subject to a variety of external factors, including the limited availability of qualified personnel in the

workforce in the local markets in which we operate, unemployment levels within those markets, prevailing wage rates, which have increased significantly, health and other insurance costs, and changes in employment and labor laws. Furthermore, the complexities introduced into the labor market as a result of the transition to increased work-from-home arrangements have impacted the competitive landscape in our labor market. Based on current conditions in the labor market, we have experienced some difficulty in retaining and attracting personnel and there is no assurance that we will be able to continue to successfully do so.

Risks Related to Our Business Strategy

Our strategy includes growth plans through organic growth and by means of acquisitions. Our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to continue pursuing a growth strategy through organic growth within our current footprint and through market expansion. We also actively evaluate acquisition opportunities as another source of growth. We cannot give assurance that we will be able to expand our existing market presence, or successfully enter new markets or that any such expansion will not adversely affect our results of operations. Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our business strategy.

Our failure to find suitable acquisition candidates, or successfully bid against other competitors for acquisitions, could adversely affect our ability to fully implement our business strategy. If we are successful in acquiring other entities, the process of integrating such entities will divert significant management time and resources. We may not be able to integrate efficiently or operate profitably any entity we may acquire. We may experience disruption and incur unexpected expenses in integrating acquisitions. These failures could adversely impact our future prospects and results of operation.

Our future performance will depend, in part, on the successful transition of our new CEO.

Christopher J. McComish was appointed Chief Executive Officer (CEO) of S&T and S&T Bank, effective August 23, 2021 (the “Effective Date”) and was appointed to the Boards of Directors of S&T and S&T Bank on the Effective Date. David G. Antolik, who served as Interim Chief Executive Officer since April 2021 through the Effective Date, continues to serve as President of S&T and S&T Bank and as a member of the Boards of Directors of S&T and S&T Bank. Our future performance will depend, in part, on the successful transition of our new CEO. This transition may be disruptive to our business, and if we are unable to execute an orderly transition and successfully integrate our new CEO into our management team, our revenue, results of operations, and financial condition may be adversely affected. Further, if our new CEO formulates different or changed views, the future strategy and plans of S&T may differ materially from those of the past.

We are subject to competition from both banks and non-banking companies.

The financial services industry is highly competitive, and we encounter strong competition for deposits, loans and other financial services in our market area, including online providers of these products and services. Our principal competitors include other local, regional and national financial services providers, such as other financial holding companies, commercial banks, credit unions, finance companies and brokerage and insurance firms, including competitors that provide their products and services online. Many of our non-bank competitors are not subject to the same degree of regulation that we are and have advantages over us in providing certain services. Additionally, many of our competitors are significantly larger than we are and have greater access to capital and other resources. Failure to compete effectively for deposit, loan and other financial services customers in our markets could cause us to lose market share, slow our growth rate and have an adverse effect on our financial condition and results of operations.

We may be required to raise capital in the future, but that capital may not be available or may not be on acceptable terms when it is needed.

We are required by federal regulatory authorities to maintain adequate capital levels to support operations. While we believe we currently have sufficient capital, if we cannot raise additional capital when needed, we may not be able to meet these requirements. In addition, our ability to further expand our operations through organic growth, which includes growth within our current footprint and growth through market expansion, may be adversely affected by any inability to raise necessary capital. Our ability to raise additional capital at any given time is dependent on capital market conditions at that time and on our financial performance and outlook.

Risks Related to Interest Rates and Investments

Our net interest income could be negatively affected by interest rate changes which may adversely affect our financial condition.

Our results of operations are largely dependent on net interest income, which is the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. Therefore, any change in general market interest rates, including changes resulting from the Federal Reserve Board's policies, can have a significant effect on our net interest income and total income. There may be mismatches between the maturity and repricing of our assets and liabilities that could cause the net interest rate spread to compress, depending on the level and type of changes in the interest rate environment. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and the policies of various governmental agencies. In addition, some of our customers often have the ability to prepay loans or redeem deposits with either no penalties or penalties that are insufficient to compensate us for the lost income. A significant reduction in our net interest income will adversely affect our business and results of operations. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially harmed.

Declines in the value of investment securities held by us could require write-downs, which would reduce our earnings.

In order to diversify earnings and enhance liquidity, we own debt instruments of government agencies and municipalities. We may be required to record impairment charges on our debt securities if they suffer a decline in value due to the underlying credit of the issuer. Additionally, the value of these investments may fluctuate depending on the interest rate environment, general economic conditions and circumstances specific to the issuer. Volatile market conditions may detrimentally affect the value of these securities, such as through reduced valuations due to the perception of heightened credit or liquidity risks. Changes in the value of these instruments may result in a reduction to earnings and/or capital, which may adversely affect our results of operations and financial condition.

Risks Related to Regulatory Compliance and Legal Matters

We are subject to extensive governmental regulation and supervision.

We are subject to extensive state and federal regulation, supervision and legislation that govern nearly every aspect of our operations. The regulations are primarily intended to protect depositors, customers and the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. The Dodd-Frank Act, enacted in July 2010, instituted major changes to the banking and financial institutions regulatory regimes. Other changes to statutes, regulations or policies could affect us in substantial and unpredictable ways. The regulatory environment of the current administration may take a more active approach to financial services regulation with respect to its major policy goals, such as climate change, racial equity, and consumer protection. Any regulatory changes could subject us to additional costs of regulatory compliance and of doing business, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things, and could divert management's time from other business activities. Failure to comply with applicable laws, regulations, policies or supervisory guidance could lead to enforcement and other legal actions by federal or state authorities, including criminal or civil penalties, the loss of FDIC insurance, the revocation of a banking charter, other sanctions by regulatory agencies, and/or damage to our reputation. The ramifications and uncertainties of the level of government intervention in the U.S. financial system could also adversely affect us.

Our controls and policies and procedures may fail or be circumvented, which may result in a material adverse effect on our business, financial condition and results of operations.

Management regularly reviews and updates our internal controls, disclosure controls and procedures, operating, risk management and corporate governance policies and procedures. Any system of controls, policies and procedures, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of internal controls, disclosure controls and procedures, or operating, risk management and corporate governance policies and procedures, whether as a result of human error, misconduct or malfeasance, or failure to comply with regulations related to controls and policies and procedures could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we may in the future discover areas of our internal controls, disclosure controls and procedures, or operating, risk management and corporate governance policies and procedures that need improvement. Failure to maintain effective controls or to timely implement any necessary improvement of our internal and disclosure controls, or operating, risk management and corporate governance policies and procedures, could, among other things, result in losses from errors, harm our reputation, or cause investors to lose confidence in our reported financial information, all of which could have a material adverse effect on our results of operations and financial condition.

As a participating lender in the Paycheck Protection Program, or PPP, we are subject to risks of litigation from our customers or other parties in connection with our processing of loans for the PPP and risks that the Small Business Administration may not fund some or all PPP loans.

We participate as a lender in the PPP. Due to the short timeframe between the passing of the CARES Act and the opening of the PPP, there is some ambiguity in the laws, rules and guidance regarding the operation of the program, which exposes us to risks relating to noncompliance with the PPP. Since the opening of the PPP, several large banks have been subject to litigation relating to the policies and procedures they used in processing applications for the program. We may be exposed to the risk of litigation, from both customers and non-customers who approached us requesting PPP loans, regarding the process and procedures used by us in processing applications for the PPP. Any such litigation filed against us may be costly, regardless of the outcome, and result in significant financial liability or adversely affect our reputation.

In addition, while the PPP loans are fully guaranteed by the Small Business Administration, or SBA, and we believe that the majority of these loans will be forgiven, there can be no assurance that the borrowers will use or have used the funds appropriately or will have satisfied the staffing or payment requirements to qualify for forgiveness in whole or in part. Any portion of the loan that is not forgiven must be repaid by the borrower. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded or serviced by us, which may or may not be related to an ambiguity in the laws, rules or guidance regarding operation of the PPP, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if we have already been paid under the guaranty, seek recovery from us of any loss related to the deficiency.

Negative public opinion could damage our reputation and adversely impact our earnings and liquidity.

Reputational risk, or the risk to our business, earnings, liquidity and capital from negative public opinion, is inherent in our operations. Negative public opinion could result from our actual or alleged conduct in a variety of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, ethical issues or inadequate protection of customer information. Financial companies are highly vulnerable to reputational damage when they are found to have harmed customers, particularly retail customers, through conduct that is illegal or viewed as unfair, deceptive, manipulative or otherwise wrongful. We are dependent on third-party providers for a number of services that are important to our business. Refer to the risk factor titled, “We rely on third-party providers and other suppliers for a number of services that are important to our business. An interruption or cessation of an important service by any third-party could have a material adverse effect on our business.” for additional information. A failure by any of these third-party service providers could cause a disruption in our operations, which could result in negative public opinion about us or damage to our reputation. We expend significant resources to comply with regulatory requirements, and the failure to comply with such regulations could result in reputational harm or significant legal or remedial costs. Damage to our reputation could adversely affect our ability to retain and attract new customers and employees, expose us to litigation and regulatory action and adversely impact our earnings and liquidity.

Our ability to pay dividends on our common stock may be limited

Holders of our common stock will be entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. The payment of common dividends by S&T is subject to certain requirements and limitations of Pennsylvania law. Although we have historically declared cash dividends on our common stock, we are not required to do so and our Board of Directors could reduce, suspend or eliminate our dividend at any time. Substantial portions of our revenue consist of dividend payments we receive from S&T Bank. The payment of common dividends by S&T Bank is subject to certain requirements and limitations under federal and state laws and regulations that limit the amount of dividends it can pay to S&T. In addition, both S&T and S&T Bank are subject to various general regulatory policies relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. Any decrease to or elimination of the dividends on our common stock could adversely affect the market price of our common stock.

We may be adversely impacted by the transition from LIBOR as a reference rate.

On July 27, 2017, the Financial Conduct Authority in the United Kingdom announced that it would phase out LIBOR as a benchmark by the end of 2021. In late 2020, the ICE Benchmark Administration (IBA) extended the cessation date for submission and publication of rates for all LIBOR currency-tenor pairs until June 30, 2023, except for the one-week and two-

month USD LIBOR tenors, which ceased on December 31, 2021. U.S. regulators, including the U.S. Federal Reserve, published a statement supporting the IBA's plans and urged banks to phase out LIBOR as soon as practicable. On March 5, 2021, IBA stated that it will cease the publication of (i) the overnight and 1, 3, 6 and 12 months USD LIBOR settings immediately following the LIBOR publication on June 30, 2023 and (ii) all other LIBOR settings, including the 1 week and 2 month USD LIBOR settings, immediately following the LIBOR publication on Friday, December 31, 2021. In October 2021, five federal financial institution regulatory agencies, in conjunction with the state bank and state credit union regulators, jointly issued a statement to emphasize the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR. In that guidance, the agencies offered their regulatory expectations and outlined potential supervisory and enforcement consequences for banks that fail to adequately plan for and implement the transition away from LIBOR. The failure to properly transition away from LIBOR may result in increased supervisory scrutiny. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR however, other market alternatives have been developed. While SOFR has been adopted in select product areas it has not achieved full implementation as an alternative reference rate. At this time, it is not possible to predict how markets will respond to alternative reference rates as markets continue to transition away from LIBOR. While several states have enacted legislation addressing the LIBOR transition and others may do so and the U.S. House of Representatives passed LIBOR transition legislation on December 8, 2021, it remains unclear that these initiatives will fully address the issues with the LIBOR transition.

Furthermore, because of the complexity of the transition from LIBOR, at this time, it is not possible to predict what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the value of LIBOR-based securities and variable rate loans, subordinated debentures, or other securities or financial arrangements.

We have a significant number of loans, derivative contracts, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. We have established a committee to guide our transition from LIBOR and have begun efforts to transition to alternative rates consistent with industry timelines. We have identified products that utilize LIBOR and are revising fallback language to facilitate the transition to alternative reference rates. Our failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

Climate change and related legislative and regulatory initiatives may have an adverse impact on us and our clients.

Increased focus and concern over the effects of climate change have resulted in increased political and social initiatives directed toward climate change. Governments have entered into international agreements with respect to climate change, and U.S. federal and state legislatures, regulatory agencies, and supervisory authorities, including those with oversight of financial institutions, have proposed initiatives seeking to mitigate the effects of climate change. While many of the current regulatory proposals do not apply directly to S&T, continued focus on climate change may lead to the promulgation of new regulations or supervisory guidance applicable to S&T and, as a result, we may experience increased compliance costs and other compliance-related risks. Furthermore, our customers could be impacted by regulatory initiatives focused on addressing and mitigating the effects of climate change resulting in an adverse impact on their financial condition and creditworthiness. Depending on the nature of the initiative, the business impacted, and the composition of loan portfolio, our business and results of operations could be negatively impacted by climate change initiatives directed at our customers. Additionally, our business and the business of our customers could be negatively impacted by disruptions in economic activity resulting from the physical impacts of climate change.

Risks Related to Liquidity

We rely on a stable core deposit base as our primary source of liquidity.

We are dependent for our funding on a stable base of core deposits. Our ability to maintain a stable core deposit base is a function of our financial performance, our reputation and the security provided by FDIC insurance, which combined, gives customers confidence in us. If any of these considerations deteriorates, the stability of our core deposits could be harmed. In addition, deposit levels may be affected by factors such as general interest rate levels, rates paid by competitors, returns available to customers on alternative investments and general economic conditions. Accordingly, we may be required from time to time to rely on other sources of liquidity to meet withdrawal demands or otherwise fund operations.

Our ability to meet contingency funding needs, in the event of a crisis that causes a disruption to our core deposit base, is dependent on access to wholesale markets, including funds provided by the FHLB of Pittsburgh.

We own stock in the Federal Home Loan Bank of Pittsburgh, or FHLB, in order to qualify for membership in the FHLB system, which enables us to borrow on our line of credit with the FHLB that is secured by a blanket lien on a significant portion of our loan portfolio. Changes or disruptions to the FHLB or the FHLB system in general may materially impact our ability to meet short and long-term liquidity needs or meet growth plans. Additionally, we cannot be assured that the FHLB will be able to provide funding to us when needed, nor can we be certain that the FHLB will provide funds specifically to us, should our financial condition and/or our regulators prevent access to our line of credit. The inability to access this source of funds could have a materially adverse effect on our ability to meet our customer's needs. Our financial flexibility could be severely constrained if we were unable to maintain our access to funding or if adequate financing is not available at acceptable interest rates.

Risks Related to the COVID-19 Pandemic

The duration and severity of the COVID-19 pandemic, in our principal area of operations, nationally and globally, has adversely impacted and will likely continue to 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 negatively be 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.
- Credit losses may be higher and our provision for credit losses may be elevated due to deterioration in the financial condition of S&T's commercial and consumer loan customers.
- Lower asset and collateral values may necessitate increases in our provision for credit losses and net charge-offs.
- The pace of recovery in the hospitality and healthcare industries and our associated loan portfolio 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.
- Economic pressure caused by the pandemic may recur, be deeper and last longer in the areas where we do business, relative to other areas of the country, which could negatively affect our relative financial performance.
- We face heightened cyber security risk in connection with our operation in a remote working environment.
- It may become harder to maintain our corporate culture, which is somewhat dependent on a level of in-person interaction.

Even after the COVID-19 pandemic subsides, the U.S. economy will likely require time to recover. It is uncertain how long this recovery will take. As a result, we anticipate our business may be adversely affected during this recovery.

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 this section.

The impact that the COVID-19 pandemic will have on S&T's credit losses is uncertain, and continued economic uncertainty in the forward looking economic forecasts used to estimate credit losses, as well as the potential inability of our credit models to accurately predict the relevant financial metrics, may adversely affect our ACL.

S&T calculates the ACL in accordance with Current Expected Credit Loss, or 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. Given the unprecedented nature of the COVID-19 pandemic, if our credit models fail to adequately predict or forecast relevant financial

metrics during and after the pandemic and these forecasts deteriorate and contain economic uncertainty, our ACL may be adversely affected.

Risks Related to Owning Our Stock

The market price of our common stock may fluctuate significantly in response to a number of factors.

Our quarterly and annual operating results have varied significantly in the past and could vary significantly in the future, which makes it difficult for us to predict our future operating results. Our operating results may fluctuate due to a variety of factors, many of which are outside of our control, including the changing U.S. economic environment and changes in the commercial and residential real estate market, any of which may cause our stock price to fluctuate. If our operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- volatility of stock market prices and volumes in general;
- changes in market valuations of similar companies;
- changes in the conditions of credit markets;
- changes in accounting policies or procedures as required by the Financial Accounting Standards Board, or FASB, or other regulatory agencies;
- legislative and regulatory actions, including the impact of the Dodd-Frank Act and related regulations, that may subject us to additional regulatory oversight which may result in increased compliance costs and/or require us to change our business model;
- government intervention in the U.S. financial system and the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;
- additions or departures of key members of management;
- fluctuations in our quarterly or annual operating results; and
- changes in analysts' estimates of our financial performance.

General Risk Factors

We may be a defendant from time to time in a variety of litigation and other actions, which could have a material adverse effect on our financial condition and results of operations.

From time to time, customers and others make claims and take legal action pertaining to the performance of our responsibilities. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant expenses, attention from management and financial liability. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved SEC staff comments.

Item 2. PROPERTIES

S&T Bancorp, Inc. headquarters is located in Indiana, Pennsylvania. We operate in five markets including Western Pennsylvania, Eastern Pennsylvania, Northeast Ohio, Central Ohio and Upstate New York. At December 31, 2021, we operate 73 banking branches and 5 loan production offices, of which 43 are leased facilities.

Item 3. LEGAL PROCEEDINGS

The nature of our business generates a certain amount of litigation that arises in the ordinary course of business. However, in management's opinion, there are no proceedings pending that we are a party to or to which our property is subject that would be material in relation to our financial condition or results of operations. In addition, no material proceedings are pending nor are known to be threatened or contemplated against us by governmental authorities or other parties.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Prices and Dividend Information

Our common stock is listed on the NASDAQ Global Select Market System, or NASDAQ, under the symbol STBA. As of the close of business on January 31, 2022, we had approximately 2,813 shareholders of record. The number of record-holders does not reflect the number of persons or entities holding stock in nominee name through banks, brokerage firms and other nominees.

As discussed under "*Our ability to pay dividends on our common stock may be limited."* included in Item 1A. Risk Factors in Part I, the amount and timing of dividends is subject to the discretion of the Board and depends upon business conditions and regulatory requirements. The Board has the discretion to change the dividend at any time for any reason. The Board of Directors presently intends to continue the policy of paying quarterly cash dividends. The amount of any future dividends will depend on economic and market conditions, our financial condition and operating results and other factors, including applicable government regulations and policies. S&T’s Board of Directors approved a quarterly cash dividend of $0.29 per share on January 24, 2022.

Certain information relating to securities authorized for issuance under equity compensation plans is set forth under the heading Equity Compensation Plan Information in Part III, Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters of this Report.

Purchases of Equity Securities

The following table is a summary of our purchases of common stock during the fourth quarter of 2021:

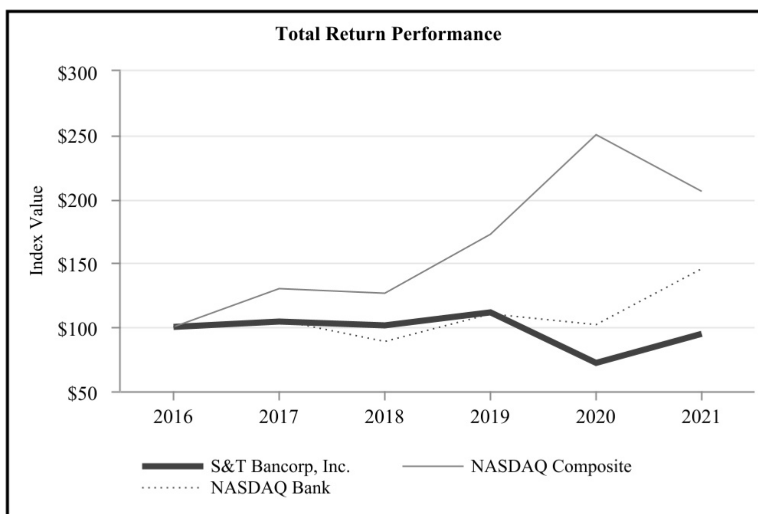
Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan [1]	Approximate dollar value of shares that may yet be purchased under the plan
10/1/2021 - 10/31/2021	—	$ —	—	$ 37,441,184
11/1/2021 - 11/30/2021	—	—	—	37,441,184
12/1/2021 - 12/31/2021	—	—	—	37,441,184
Total	**—**	**$ —**	**—**	**$ 37,441,184**

[1]On March 15, 2021, our Board of Directors authorized an extension of the $50 million share repurchase plan. This authorization extended the expiration date of the repurchase plan through March 31, 2022. The plan permits S&T to repurchase from time to time up to the previously authorized $50 million in aggregate value of shares of S&T's common stock, with $37.4 million of capacity remaining at December 31, 2021, 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. Share repurchases will not occur unless permissible under applicable laws.

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES - continued

Five-Year Cumulative Total Return

The following chart compares the cumulative total shareholder return on our common stock with the cumulative total shareholder return of the NASDAQ Composite Index[(1)] and the NASDAQ Bank Index[(2)] assuming a $100 investment in each on December 31, 2016 and the reinvestment of dividends.



Source: Bloomberg

	Period Ending					
Index	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**	**12/31/2021**
S&T Bancorp, Inc.	100.00	104.22	101.43	111.05	71.74	94.47
NASDAQ Composite[(1)]	100.00	129.73	126.08	172.41	250.08	305.63
NASDAQ Bank[(2)]	100.00	105.46	88.40	109.95	101.70	145.34

[(1)]The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.
[(2)]The NASDAQ Bank Index contains securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as Banks. These companies include banks providing a broad range of financial services, including retail banking, loans and money transmissions.

Item 6. [RESERVED]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section reviews our financial condition for each of the past two years and results of operations for each of the past three years. Certain reclassifications have been made to prior periods to place them on a basis comparable with the current period presentation. Some tables may include additional time periods to illustrate trends within our Consolidated Financial Statements. 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 Annual Report on Form 10-K 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", "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, or ACL; 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; the transition from LIBOR as a reference rate; 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; legislation affecting the financial services industry as a whole, and S&T, in particular; climate change and related legislative and regulatory initiatives; 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 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, particularly in light of the strong competition in the marketplace; our ability to successfully manage our CEO transition; general economic or business conditions, including the strength of regional economic conditions in our market area; macroeconomic conditions including inflation and economic uncertainty; the duration and severity of the coronavirus, or 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; our participation in the Paycheck Protection Program; 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 elsewhere in this report, 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 Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes. These estimates, assumptions and judgments are based on information available as of the date of the Consolidated Financial Statements; accordingly, as this information changes, the Consolidated Financial Statements could reflect different estimates, assumptions and judgments. Certain policies are based to a greater extent on estimates, assumptions and judgments of management and, as such, have a greater possibility of producing results that could be materially different than originally reported.

Our most significant accounting policies are presented in Note 1 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Report. These policies, along with the disclosures presented in the Notes to Consolidated Financial Statements, provide information on how significant assets and liabilities are valued in the Consolidated Financial Statements and how those values are determined.

We view critical accounting policies to be those which are highly dependent on subjective or complex estimates, assumptions and judgments and where changes in those estimates and assumptions could have a significant impact on the Consolidated Financial Statements. Further, we view critical accounting estimates as those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. We currently view the determination of the ACL and goodwill and other intangible assets to be critical accounting policies. Refer to our Annual Report on Form 10-K for the year ended December 31, 2020 for critical accounting policies and estimates for the prior year. We did not significantly change the manner in which we applied our critical accounting policies or developed related assumptions or estimates during 2021. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee.

Allowance for Credit Losses

In January 2020, we adopted ASC 326, which replaced the former incurred loss methodology with an expected credit loss methodology that requires consideration of a broader range of information to estimate expected credit losses over the lifetime of an asset. The allowance for credit losses, or ACL, is a valuation reserve established and maintained by charges against operating income. It is an estimate of expected credit losses, measured over the contractual life of a loan, that considers historical loss experience, current conditions and forecasts of future economic conditions.

Management's evaluation process used to determine the appropriateness of the ACL is complex and requires the use of estimates, assumptions and judgments which are inherently subject to high uncertainty. The evaluation process combines several factors: historical loan loss experience, managements ongoing review of lending policies and practices, experience and depth of staff, quality of the loan grading system, the fair value of underlying collateral, concentration of loans to specific borrowers or industries, existing economic conditions and forecasts, segment specific risks and other quantitative and qualitative factors which could affect future credit losses. Our reasonable and supportable forecast is based primarily on the national unemployment forecast produced by the Federal Reserve and is for a period of two years. For periods beyond our two-year forecast, we revert to historical loss rates utilizing a straight-line method over a one-year reversion period. Because current economic conditions and forecasts can change and future events are inherently difficult to predict, the anticipated amount of estimated credit losses on loans and the appropriateness of the ACL could change significantly. It is challenging to estimate how potential changes in any one economic factor or input might affect the overall allowance because a wide variety of factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others.

In conjunction with our capital stress testing process, we consider different economic scenarios that impact the ACL. Among other balance sheet and income statement changes, our severely adverse scenario would have resulted in an increase to the ACL of approximately 80 percent. This stressed scenario includes both the quantitative and qualitative components of the model. This severely adverse scenario shows how sensitive the ACL can be to key qualitative and quantitative assumptions underlying the overall ACL calculation. 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.

The acquisition method of accounting requires that assets acquired and liabilities assumed in business combinations are recorded at their fair values. This often involves estimates based on third party valuations or internal valuations based on discounted cash flow analyses or other valuation techniques which are inherently subjective. Business combinations also typically result in goodwill which is subject to ongoing periodic impairment tests based on the fair values of the reporting units to which the acquired goodwill relates.

The carrying value of goodwill is tested annually for impairment each October 1st or more frequently if events and

circumstances indicate that it may be impaired. We test for impairment by comparing the fair value of our Community Banking reporting unit with its carrying amount. An impairment charge would be recognized if the the carrying amount exceeds the reporting unit's fair value. Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The fair value of the reporting unit is determined by using both a discounted cash flow model and market based models. The discounted cash flow model has many assumptions including future earnings projections, a long-term growth rate and discount rate. The market based method calculates the fair value based on observed price multiples for similar companies. The fair values of each method are then weighted based on the relevance and reliability in the current economic environment.

We last completed a quantitative goodwill impairment test as of November 30, 2020 and concluded that goodwill was not impaired. A discount rate of 11.50 percent was used for the income approach. If the discount rate was increased 2 percent to 13.50 percent, our fair value would have still exceeded carrying value resulting in no goodwill impairment. Based upon our qualitative assessment performed for our annual impairment analysis as of October 1, 2021, we concluded that goodwill is not impaired.

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.

Recent Accounting Pronouncements and Developments

Note 1 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements, which is included in Part II, Item 8 Financial Statements and Supplementary Data of this Report, discusses new accounting pronouncements that we have adopted and the expected impact of accounting pronouncements recently issued or proposed, but not yet required to be adopted.

Explanation of Use of Non-GAAP Financial Measures

In addition to traditional measures presented in accordance with GAAP, our management uses, and this Report contains or references, certain non-GAAP financial measures identified below. We believe these non-GAAP financial measures provide information useful to investors in understanding our underlying operational performance and our business and performance trends as they facilitate comparisons with the performance of other companies in the financial services industry. Although we believe that these non-GAAP financial measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered an alternative 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. See discussion of net interest income on an FTE basis (non-GAAP) and the efficiency ratio (non-GAAP) and related reconciliations to GAAP discussed below.

Executive Overview

We are a bank holding company that is headquartered in Indiana, Pennsylvania with assets of $9.5 billion at December 31, 2021. 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.

On August 23, 2021, Christopher McComish joined S&T as our new chief executive officer. He brings over 34 years of proven banking leadership with a track record of growth and transformation of commercial, consumer and wealth businesses. Additionally, we have elevated both proven internal leaders and attracted external talent from larger banking institutions to position us for future growth. Our priorities for 2022 and beyond include pursuing high impact growth initiatives, ensuring rigorous credit risk and enterprise governance practices, advancing strategic infrastructure and platform investments, investing in organization talent and performance and promoting strategic clarity and effective communications. Organic loan growth continues to be our top priority within our current footprint and through market expansion. Our growth strategy includes a collaborative model that combines expertise from all areas of our business and focuses on satisfying each customer's individual financial objectives.We also actively evaluate acquisition opportunities that align with our strategic objectives as another source of growth.

Results of Operations
Year Ended December 31, 2021

COVID-19 Pandemic Update

S&T continues to monitor 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 have taken extensive safety measures for our customers in our branches 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 response efforts.

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 PPP 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 through August 8, 2020.These loans are intended to cover eight weeks of payroll and other permitted expenses to help those businesses remain viable. The PPP ended on May 31, 2021.

We originated $771.5 million of PPP loans during 2020 and 2021. 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 at least six months of the loan. The loans are 100 percent guaranteed by the SBA.

The extent to which the COVID-19 pandemic may adversely impact our business depends on future developments, which remain highly uncertain and unpredictable. The 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 severity and length of the pandemic's impact on S&T and the U.S. and global economies continue to be unknown. Our financial performance continues to be negatively impacted in many ways due to the pandemic. We are closely monitoring our asset quality with a focus on the loan portfolios that have been significantly impacted by the pandemic, including hotel, healthcare and C&I portfolios. We have increased our ACL to be responsive to this additional risk within our loan portfolio. We did experience improvement in our asset quality during 2021, but remain cautious given the current environment. The hotel portfolio improved in the second half of 2021 with $34.0 million of loans being returned to performing status due to improved operating performance. Our balance sheet is asset sensitive resulting in our net interest income and net interest margin, or NIM, being negatively impacted in this low interest rate environment. Loan demand was challenging in the first half of 2021, but we saw growth trends improving late in the second quarter and for the third and fourth quarter of 2021. Net interest income was favorably impacted by PPP loans which contributed to net interest income $17.3 million for 2021 and $11.4 million for 2020.

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 during 2020 and 2021 totaling $995.7 million. Only $28.8 million remain on deferral at December 31, 2021.

- We provided loan payment deferrals, with no negative credit bureau reporting, to mortgage and consumer loans during 2020 and 2021 totaling $81.6 million. No loans remain on deferral at December 31, 2021.

None of these were designated troubled debt restructurings, or TDRs, for accounting purposes.

Earnings Summary

Net income increased $89.3 million to $110.3 million, or $2.81 per diluted share, in 2021 compared to $21.0 million, or $0.53 per diluted share in 2020. This net increase was primarily due to a lower provision for credit losses related to improving economic conditions, as well the offsetting impact of the 2020 customer fraud that reduced net income by $46.3 million, or $1.19 per diluted share.We experienced a pre-tax loss of $58.7 million related to a customer fraud resulting from a check kiting scheme during 2020. The fraud was perpetrated by a single business customer and the customer has plead guilty in a criminal investigation. We continue to pursue all available sources of recovery to mitigate the loss.

Return on average assets, or ROA, was 1.18 percent and return on average equity, or ROE, was 9.30 percent for 2021 compared to ROA of 0.23 percent and ROE of 1.80 percent for 2020.

Net interest income decreased $3.3 million to $276.1 million compared to 2020. The decrease in interest income was primarily due to lower average loan balances and the low rate interest environment compared to 2020. Average loan balances decreased $325.8 million compared to 2020. Net interest income was favorably impacted by PPP loans which contributed $17.3 million compared to $11.4 million in 2020. Average interest-bearing deposits decreased $126.2 million compared to 2020. The net interest margin, or NIM, on an FTE basis (non-GAAP) decreased 16 basis points compared to 2020. The decrease is primarily due to higher average cash balances and the low interest rate environment. PPP loans positively impacted the NIM on an FTE basis (non-GAAP) by 8 basis points compared to the negative impact of 3 basis points in 2020. NIM is reconciled to net interest income adjusted to an FTE basis (non-GAAP) below in the "Net Interest Income" section of this MD&A.

The provision for credit losses was $16.2 million for 2021 compared to $131.4 million in 2020. Excluding a customer fraud loss of $58.7 million, the provision for credit losses was $72.7 million for 2020. The significant decrease in the provision for credit losses during 2021 was mainly due to the customer fraud in 2020 and an improved outlook for the economy and our loan portfolio. Net loan charge-offs were $34.5 million, or 0.49 percent of average loans, in 2021 compared to $103.4 million, or 1.40 percent of average loans, during 2020. Excluding the customer fraud, net loan charge-offs were $44.7 million, or 0.61 percent of average loans in 2020.

Noninterest income increased $4.9 million to $64.6 million compared to $59.7 million in 2020. Wealth management income increased $2.9 million due to customer growth and improved market conditions. Debit and credit card fees increased $2.9 million and service charges on deposit accounts increased $1.4 million due to increased customer activity. These were offset by lower commercial loan swap income of $3.6 million and mortgage banking income of $1.2 million.

Noninterest expense increased $2.2 million to $188.8 million compared to $186.6 million in 2020. Salaries and employee benefits increased $10.1 million primarily due to higher incentives. Data processing and information technology increased $1.2 million due to new products and services in 2021. These higher expenses were offset by decreases in other noninterest expense of $4.1 million, merger related expenses of $2.3 million and marketing of $1.4 million. The efficiency ratio (non-GAAP) for 2021 was 55.05 percent compared to 53.86 percent for 2020.

The efficiency ratio is noninterest expense divided by noninterest income plus net interest income, on an FTE basis, which ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice. Below is a reconciliation of the non-GAAP efficiency ratio.

	December 31,		
	2021	2020	2019
Efficiency Ratio (non-GAAP)			
Noninterest expense	$188,839	$186,644	$167,116
Less: merger related expenses	—	(2,342)	(11,350)
Noninterest expense excluding nonrecurring items	$188,839	$184,302	$155,766
Net interest income per consolidated statements of net income	$276,112	$279,388	$246,791
Plus: taxable equivalent adjustment	2,316	3,202	3,757
Net interest income (FTE) (non-GAAP)	278,428	282,590	250,548
Noninterest income	64,611	59,719	52,558
Less: net (gains) losses on sale of securities	(29)	(142)	26
Net interest income (FTE) (non-GAAP) plus noninterest income	$343,010	$342,167	$303,132
Efficiency ratio (non-GAAP)	**55.05 %**	**53.86 %**	**51.39 %**

The provision for income taxes increased to $25.3 million in 2021 compared to nearly zero for 2020. The increase in our income tax provision was primarily due to a $114.6 million increase in pretax income in 2021 compared to 2020 when pretax income was impacted by significantly higher provision for credit losses. The effective tax rate increased to 18.7 percent in 2021 compared to a nominal negative annual effective tax rate in 2020. The increase in the effective tax rate was primarily due to significantly higher income before taxes in 2021 compared to 2020.

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 Asset and Liability Committee, or 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 and the dividend-received deduction for equity securities using the federal statutory tax rate of 21 percent 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 Net Income to net interest income and rates on an FTE basis for the periods presented:

	Years Ended December 31,		
(dollars in thousands)	2021	2020	2019
Total interest income	$ 289,262	$ 320,464	$ 320,484
Total interest expense	13,150	41,076	73,693
Net interest income per Consolidated Statements of Net Income	276,112	279,388	246,791
Adjustment to FTE basis	2,316	3,202	3,757
Net Interest Income (FTE) (non-GAAP)	**$ 278,428**	**$ 282,590**	**$ 250,548**
Net interest margin	3.19 %	3.34 %	3.58 %
Adjustment to FTE basis	0.03	0.04	0.06
Net Interest Margin (FTE) (non-GAAP)	**3.22 %**	**3.38 %**	**3.64 %**

Average Balance Sheet and Net Interest Income Analysis

The following table provides 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 years ended December 31:

	2021			2020			2019		
(dollars in thousands)	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
ASSETS									
Interest-bearing deposits with banks	$ 722,057	$ 973	0.13 %	$ 179,887	$ 515	0.29 %	$ 59,941	$ 1,233	2.06 %
Securities at fair value[2][3]	832,304	18,135	2.18 %	764,311	19,011	2.49 %	678,069	17,876	2.64 %
Loans held for sale	4,094	124	3.03 %	5,105	160	3.13 %	2,169	84	3.88 %
Commercial real estate	3,249,559	119,594	3.68 %	3,347,234	140,288	4.19 %	2,945,278	144,877	4.92 %
Commercial and industrial	1,829,563	75,860	4.15 %	2,018,318	77,752	3.85 %	1,575,485	79,429	5.04 %
Commercial construction	471,286	15,443	3.28 %	442,088	16,702	3.78 %	278,665	14,237	5.11 %
Total commercial loans	**5,550,407**	**210,897**	**3.80 %**	**5,807,640**	**234,742**	**4.04 %**	**4,799,428**	**238,543**	**4.97 %**
Residential mortgage	881,494	36,211	4.11 %	964,740	40,998	4.25 %	765,604	33,889	4.43 %
Home equity	543,777	18,822	3.46 %	539,461	21,469	3.98 %	475,149	25,208	5.31 %
Installment and other consumer	90,129	5,351	5.94 %	80,032	5,248	6.56 %	72,283	5,173	7.16 %
Consumer construction	14,748	668	4.53 %	13,484	594	4.40 %	10,896	593	5.44 %
Total consumer loans	**1,530,148**	**61,052**	**3.99 %**	**1,597,717**	**68,309**	**4.28 %**	**1,323,932**	**64,863**	**4.90 %**
Total portfolio loans	**7,080,555**	**271,949**	**3.84 %**	**7,405,357**	**303,051**	**4.09 %**	**6,123,360**	**303,406**	**4.95 %**
Total Loans[1][2]	**7,084,649**	**272,073**	**3.84 %**	**7,410,462**	**303,211**	**4.09 %**	**6,125,529**	**303,490**	**4.95 %**
Federal Home Loan Bank and other restricted stock	10,363	397	3.83 %	18,234	929	5.10 %	21,833	1,642	7.52 %
Total Interest-earning Assets	**8,649,372**	**291,578**	**3.37 %**	**8,372,894**	**323,666**	**3.87 %**	**6,885,372**	**324,241**	**4.71 %**
Noninterest-earning assets	726,478			779,853			550,164		
Total Assets	**$ 9,375,850**			**$ 9,152,747**			**$ 7,435,536**		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing demand	$ 956,211	$ 809	0.08 %	$ 961,823	$ 2,681	0.28 %	$ 641,403	$ 3,915	0.61 %
Money market	2,033,631	3,651	0.18 %	2,040,116	11,645	0.57 %	1,691,910	30,236	1.79 %
Savings	1,047,855	366	0.03 %	899,717	972	0.11 %	766,142	1,928	0.25 %
Certificates of deposit	1,255,370	5,930	0.47 %	1,517,643	20,688	1.36 %	1,396,706	26,947	1.93 %
Total Interest-bearing deposits	**5,293,066**	**10,757**	**0.20 %**	**5,419,299**	**35,986**	**0.66 %**	**4,496,161**	**63,026**	**1.40 %**
Securities sold under repurchase agreements	69,964	79	0.11 %	57,673	169	0.29 %	16,863	110	0.65 %
Short-term borrowings	6,301	12	0.19 %	155,753	1,434	0.92 %	255,264	6,416	2.51 %
Long-term borrowings	22,995	458	1.99 %	47,953	1,201	2.50 %	66,392	1,831	2.76 %
Junior subordinated debt securities	61,653	1,843	2.99 %	64,092	2,286	3.57 %	47,934	2,310	4.82 %
Total borrowings	**160,913**	**2,392**	**1.49 %**	**325,471**	**5,090**	**1.56 %**	**386,453**	**10,667**	**2.76 %**
Total Interest-bearing Liabilities	**5,453,979**	**13,150**	**0.24 %**	**5,744,770**	**41,076**	**0.72 %**	**4,882,614**	**73,693**	**1.51 %**
Noninterest-bearing liabilities	2,735,710			2,238,488			1,569,014		
Shareholders' equity	1,186,161			1,169,489			983,908		
Total Liabilities and Shareholders' Equity	**$ 9,375,850**			**$ 9,152,747**			**$ 7,435,536**		
Net Interest Income [2][3]		**$ 278,428**			**$ 282,590**			**$ 250,548**	
Net Interest Margin [2][3]			**3.22 %**			**3.38 %**			**3.64 %**

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

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:

	2021 Compared to 2020 Increase (Decrease) Due to			2020 Compared to 2019 Increase (Decrease) Due to		
(dollars in thousands)	Volume[4]	Rate[4]	Net	Volume[4]	Rate[4]	Net
Interest earned on:						
Interest-bearing deposits with banks	$ 1,552	$ (1,095)	$ 457	$ 2,467	$ (3,185)	$ (718)
Securities at fair value[2][3]	1,691	(2,566)	(875)	2,274	(1,139)	1,135
Loans held for sale	(32)	(4)	(36)	114	(38)	76
Commercial real estate	(4,094)	(16,601)	(20,695)	19,772	(24,361)	(4,589)
Commercial and industrial	(7,271)	5,380	(1,892)	22,326	(24,003)	(1,677)
Commercial construction	1,103	(2,362)	(1,259)	8,349	(5,884)	2,465
Total commercial loans	**(10,262)**	**(13,584)**	**(23,846)**	**50,447**	**(54,248)**	**(3,801)**
Residential mortgage	(3,538)	(1,249)	(4,787)	8,815	(1,706)	7,109
Home equity	172	(2,819)	(2,647)	3,412	(7,151)	(3,739)
Installment and other consumer	662	(559)	103	555	(480)	75
Consumer construction	56	19	74	141	(140)	1
Total consumer loans	**(2,648)**	**(4,609)**	**(7,257)**	**12,923**	**(9,477)**	**3,446**
Total portfolio loans	**(12,910)**	**(18,193)**	**(31,103)**	**63,370**	**(63,725)**	**(355)**
Total loans [1][2]	**(12,942)**	**(18,197)**	**(31,139)**	**63,484**	**(63,763)**	**(279)**
Federal Home Loan Bank and other restricted stock	(401)	(131)	(533)	(271)	(442)	(713)
Change in Interest Earned on Interest-earning Assets	**$ (10,100)**	**$ (21,989)**	**$ (32,089)**	**$ 67,954**	**$ (68,529)**	**$ (575)**
Interest paid on:						
Interest-bearing demand	$ (16)	$ (1,857)	$ (1,872)	$ 1,956	$ (3,190)	$ (1,234)
Money market	(37)	(7,957)	(7,994)	6,223	(24,814)	(18,591)
Savings	160	(765)	(605)	336	(1,292)	(956)
Certificates of deposit	(3,575)	(11,182)	(14,757)	2,333	(8,592)	(6,259)
Total interest-bearing deposits	**(3,468)**	**(21,761)**	**(25,229)**	**10,848**	**(37,888)**	**(27,040)**
Securities sold under repurchase agreements	36	(126)	(90)	266	(207)	59
Short-term borrowings	(1,376)	(46)	(1,422)	(2,501)	(2,481)	(4,982)
Long-term borrowings	(625)	(118)	(743)	(509)	(121)	(630)
Junior subordinated debt securities	(87)	(356)	(443)	779	(803)	(24)
Total borrowings	**(2,052)**	**(645)**	**(2,697)**	**(1,965)**	**(3,612)**	**(5,577)**
Change in Interest Paid on Interest-bearing Liabilities	**$ (5,520)**	**$ (22,406)**	**$ (27,926)**	**$ 8,883**	**$ (41,500)**	**$ (32,617)**
Change in Net Interest Income	**$ (4,580)**	**$ 417**	**$ (4,163)**	**$ 59,071**	**$ (27,029)**	**$ 32,042**

[1]*Nonaccruing loans are included in the daily average loan amounts outstanding.*
[2]*Tax-exempt income is on an FTE basis using the statutory federal corporate income tax rate of 21 percent.*
[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.*

Net interest income on an FTE basis (non-GAAP) decreased $4.2 million compared to 2020. The decline was primarily due to lower average loan balances compared to 2020. Net interest income was favorably impacted by PPP loans which contributed $17.3 million compared to $11.4 million in 2020. The net interest margin, or NIM, on an FTE basis (non-GAAP) decreased 16 basis points compared to 2020. The decrease is primarily due to higher average cash balances and the low interest rate environment. PPP loans positively impacted the net interest margin on an FTE basis (non-GAAP) by 8 basis points compared to the negative impact of 3 basis points in 2020.

Interest income on an FTE basis (non-GAAP) decreased $32.1 million compared to 2020. The decrease in interest income was primarily due to lower average loan balances compared to 2020 and the continued low interest rate environment. Average loan balances decreased $325.8 million compared to 2020. Average PPP loans decreased $53.7 million compared to 2020. The average rate earned on loans decreased 25 basis points primarily due to lower short-term interest rates. Average interest-bearing deposits with banks increased $542.2 million compared to 2020 due to PPP loan forgiveness, lower loan balances and a significant increase in average deposits as a result of customer PPP loans and stimulus payments along with customers' liquidity preferences. Overall, the FTE rate on interest-earning assets (non-GAAP) decreased 50 basis points compared to 2020.

Interest expense decreased $27.9 million compared to 2020. The decrease was primarily due to lower short-term interest

rates. Average interest-bearing deposits decreased $126.2 million compared to 2020. The average rate paid on interest-bearing deposits decreased 46 basis points compared to 2020 primarily due to lower short-term interest rates. The interest-bearing deposit decreases are favorably offset by a $521.8 million increase in demand deposits. We experienced demand deposit growth due to customer PPP loans and stimulus payments along with customers' liquidity preferences. Brokered deposits decreased $216.0 million and borrowings decreased $164.6 million compared to 2020 due to maturities and a reduced need for wholesale funding. Overall, the cost of interest-bearing liabilities decreased 48 basis points compared to 2020.

Provision for Credit Losses

The provision for credit losses, which includes a provision for losses on loans and 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 decreased $115.2 million to $16.2 million for 2021 compared to $131.4 million for 2020. Excluding the customer fraud loss of $58.7 million, the provision for credit losses was $72.7 million for 2020.

The significant decrease in the provision for credit losses during 2021 was mainly due to the customer fraud in 2020 and an improved outlook for the economy and our loan portfolio. Our total qualitative reserve decreased $7.3 million compared to 2020. The decrease was primarily due to improved economic conditions offset by additional segment allocations for our healthcare and C&I portfolios along with the increased uncertainty at year-end related to the COVID-19 Omicron variant. Specific reserves on loans individually assessed decreased $11.7 million to $1.8 million at December 31, 2021 compared to $13.5 million in 2020. The decrease in specific reserves was the result of approximately $7.8 million of loan charge-offs and the release of $5.7 million of specific reserves due to improved operating performance within our hotel portfolio. Offsetting this decrease in specific reserve was the addition of a $1.8 million specific reserve related to a $21.7 million C&I relationship that also had a $10.3 million charge-off in 2021 based on an estimated enterprise value of the company.

Net loan charge-offs were $34.5 million, or 0.49 percent of average loans, in 2021 compared to $103.4 million, or 1.40 percent of average loans, during 2020. Excluding the customer fraud, net loan charge-offs were $44.7 million, or 0.61 percent of average loans in 2020. The decrease in net loan charge-offs in 2021 was primarily due to improving economic conditions.

Refer to the Credit Quality section of this MD&A for further details.

Noninterest Income

	Years Ended December 31,			
(dollars in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Debit and credit card	17,952	15,093	2,859	18.9 %
Service charges on deposit accounts	15,040	13,597	1,443	10.6 %
Wealth management	12,889	9,957	2,932	29.4 %
Mortgage banking	9,734	10,923	(1,189)	(10.9)%
Commercial loan swap income	1,146	4,740	(3,594)	(75.8)%
Securities gains, net	$ 29	$ 142	$ (113)	(79.6)%
Other	7,820	5,267	2,553	48.5 %
Total Noninterest Income	**$ 64,610**	**$ 59,719**	**$ 4,891**	**8.2 %**

Noninterest income increased $4.9 million, or 8.2 percent, in 2021 compared to 2020. Wealth management fees increased $2.9 million compared to the prior year. Brokerage fees increased $1.6 million primarily due to the addition of six new financial advisors added during 2021. Trust income increased $1.3 million mainly due to new customer growth resulting in higher assets under management and improved market conditions. Debit and credit card fees increased $2.9 million due to increased debit and credit card usage. Other noninterest income increased $2.6 million due to a $1.4 million change in the credit valuation adjustment for our commercial loan swaps for risk associated with our hotel loan portfolio, a $0.8 million change in the equity securities portfolio and a $0.5 million change in the valuation of a deferred compensation plan, which has a corresponding offset in salaries and benefit expense resulting in no impact to net income. Service charges on deposit accounts increased $1.4 million due to the improving economic environment which drove higher customer activity. Commercial loan swap income decreased $3.6 million due to the lower customer activity related to the pandemic and interest rate environment. Mortgage banking decreased $1.2 million due to changes in the valuation of the mortgage interest rate locks offset by an improved mortgage servicing rights valuation compared to 2020.

Noninterest Expense

	Years Ended December 31,			
(dollars in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Salaries and employee benefits	$ 100,214	$ 90,115	$ 10,099	11.2 %
Data processing and information technology	16,681	15,499	1,182	7.6 %
Occupancy	14,544	14,529	15	0.1 %
Furniture, equipment and software	10,684	11,050	(366)	(3.3) %
Other taxes	6,644	6,622	22	0.3 %
Professional services and legal	6,368	6,394	(26)	(0.4) %
Marketing	4,553	5,996	(1,443)	(24.1) %
FDIC insurance	4,224	5,089	(865)	(17.0) %
Merger-related expenses	—	2,342	(2,342)	NM
Other	24,927	29,008	(4,081)	(14.1) %
Total Other Noninterest Expense	**$ 188,839**	**$ 186,644**	**$ 2,195**	**1.2 %**

NM - percentage not meaningful

Noninterest expense increased $2.2 million, or 1.2 percent, to $188.8 million in 2021 compared to 2020. Total merger-related expense decreased $2.3 million compared to 2020 due to no merger during 2021. Salaries and employee benefits increased $10.1 million during 2021 primarily due to higher incentive, restricted stock, commissions and pension expense due to an increase in retirees electing lump-sum distributions. Data processing and information technology increased $1.2 million due to new products and services in 2021. Offsetting these increases, other noninterest expense decreased $4.1 million due to lower loan related expenses and lower amortization of both our qualified affordable housing projects and core deposit intangible assets. Marketing expense decreased $1.4 million due to the pandemic and a reduction in promotions. FDIC insurance decreased $0.9 million due to the improvement of the financial ratios used to determine the assessment.

Income Taxes

The provision for income taxes increased to $25.3 million in 2021 compared to nearly zero for 2020. The increase in our income tax provision was primarily due to a $114.6 million increase in income before taxes in 2021 compared to 2020 when income before taxes was impacted by a customer fraud of $58.7 million.

The effective tax rate, which is total tax expense as a percentage of income before taxes, increased to 18.7 percent in 2021 compared to a nominal negative annual effective tax rate in 2020. The increase in the effective tax rate was primarily due to significantly higher income before taxes in 2021 compared to 2020. Historically, we have generated an annual effective tax rate that is less than the statutory rate of 21 percent due to benefits resulting from tax-exempt interest, excludable dividend income, tax-exempt income on Bank Owned Life Insurance, or BOLI, and tax benefits associated with Low Income Housing Tax Credits, or LIHTC.

Results of Operations
Year Ended December 31, 2020

Earnings Summary

Net income decreased $77.2 million, or 78.6 percent, to $21.0 million, or $0.53 per diluted share, in 2020 compared to $98.2 million, or $2.82 per diluted share in 2019. Net income in 2020 was significantly impacted by a $46.3 million after-tax, or $1.19 per diluted share, fraud loss. The 2019 results included $11.4 million, or $0.27 per diluted share, of merger related expenses. The DNB Merger results have been included in our financial statements since the consummation of the DNB Merger on November 30, 2019.

Net interest income increased $32.6 million, or 13.2 percent, to $279.4 million compared to $246.8 million in 2019 primarily due to the merger with DNB in late 2019. Average interest-earnings assets increased $1.5 billion, or 21.6 percent, to $8.4 billion compared to 2019. Average interest-bearing liabilities increased $862.2 million, or 17.7 percent, to $5.7 billion compared to 2019 with increases in average interest-bearing deposits of $923.1 million offset by decreases in borrowings of $61.0 million. Net interest margin, on a fully taxable-equivalent, or FTE, basis (non-GAAP), decreased 26 basis points to 3.38 percent for 2020 compared to 3.64 percent for 2019.

Net interest margin is reconciled to net interest income adjusted to an FTE basis above in the "Results of Operations - Year Ended December 31, 2021 -Net Interest Income" section of this MD&A.

The provision for credit losses was $131.4 million for 2020 compared to $14.9 million in 2019. Excluding the customer fraud loss of $58.7 million, the provision for credit losses increased $57.8 million to $72.7 million for 2020 compared to $14.9 million in 2019. The significant increase in the provision for credit losses during the year was mainly due to the impact of the COVID-19 pandemic and our adoption of CECL on January 1, 2020. The COVID-19 pandemic has negatively impacted the hospitality industry resulting in deterioration in our $248 million hotel portfolio. Net loan charge-offs increased $89.7 million to $103.4 million, or 1.40 percent of average loans, for 2020 compared to $13.6 million, or 0.22 percent of average loans, in 2019. Excluding the customer fraud, net loan charge-offs were $44.7 million, or 0.60 percent in 2020.

Total noninterest income increased $7.1 million to $59.7 million compared to $52.6 million in 2019. Total noninterest income includes a full-year impact of the DNB Merger for 2020 compared to one month in 2019. Additionally, the increase in noninterest income related to an increase of $8.4 million in mortgage banking income to $10.9 million compared to 2019 due to the strong refinance activity in the current interest rate environment.

Noninterest expense increased $19.5 million to $186.6 million for 2020 compared to $167.1 million for 2019. Total noninterest expense includes a full-year impact of the DNB Merger for 2020 compared to one month in 2019 with increases in most noninterest expense categories. FDIC insurance increased $4.3 million due to the DNB Merger, the impact of recent financial results on certain components of the assessment calculation and Small Bank Assessment Credits received in 2019. These increases were offset by a $9.0 million decrease in merger related expenses compared to 2019.

The income tax provision decreased to nearly zero for 2020 compared to an expense of $19.1 million in 2019. The decrease in our income tax provision was mainly due to a $96.3 million decrease in taxable income in 2020 compared to 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 Asset and Liability Committee, or 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 and the dividend-received deduction for equity securities using the federal statutory tax rate of 21 percent 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.

Net interest margin is reconciled to net interest income adjusted to an FTE basis above in the "Results of Operations - Year Ended December 31, 2021 - Net Interest Income" section of this MD&A.

Average Balance Sheet and Net Interest Income Analysis

The following table provides 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 years ended December 31:

	2020			2019			2018		
(dollars in thousands)	**Average Balance**	**Interest**	**Rate**	**Average Balance**	**Interest**	**Rate**	**Average Balance**	**Interest**	**Rate**
ASSETS									
Interest-bearing deposits with banks	$ 179,887	$ 515	0.29 %	$ 59,941	$ 1,233	2.06 %	$ 56,210	$ 1,042	1.85 %
Securities at fair value[2][3]	764,311	19,011	2.49 %	678,069	17,876	2.64 %	682,806	17,860	2.62 %
Loans held for sale	5,105	160	3.13 %	2,169	84	3.88 %	1,515	85	5.60 %
Commercial real estate	3,347,234	140,288	4.19 %	2,945,278	144,877	4.92 %	2,779,096	132,139	4.75 %
Commercial and industrial	2,018,318	77,752	3.85 %	1,575,485	79,429	5.04 %	1,441,560	67,770	4.70 %
Commercial construction	442,088	16,702	3.78 %	278,665	14,237	5.11 %	314,265	15,067	4.79 %
Total commercial loans	**5,807,640**	**234,742**	**4.04 %**	**4,799,428**	**238,543**	**4.97 %**	**4,534,921**	**214,976**	**4.74 %**
Residential mortgage	964,740	40,998	4.25 %	765,604	33,889	4.43 %	696,849	29,772	4.27 %
Home equity	539,461	21,469	3.98 %	475,149	25,208	5.31 %	474,538	22,981	4.84 %
Installment and other consumer	80,032	5,248	6.56 %	72,283	5,173	7.16 %	67,047	4,594	6.85 %
Consumer construction	13,484	594	4.40 %	10,896	593	5.44 %	5,336	267	5.00 %
Total consumer loans	**1,597,717**	**68,309**	**4.28 %**	**1,323,932**	**64,863**	**4.90 %**	**1,243,770**	**57,614**	**4.63 %**
Total portfolio loans	**7,405,357**	**303,051**	**4.09 %**	**6,123,360**	**303,406**	**4.95 %**	**5,778,691**	**272,590**	**4.72 %**
Total Loans[1][2]	**7,410,462**	**303,211**	**4.09 %**	**6,125,529**	**303,490**	**4.95 %**	**5,780,206**	**272,675**	**4.72 %**
Federal Home Loan Bank and other restricted stock	18,234	929	5.10 %	21,833	1,642	7.52 %	30,457	2,052	6.74 %
Total Interest-earning Assets	**8,372,894**	**304,140**	**3.87 %**	**6,885,372**	**324,241**	**4.71 %**	**6,549,679**	**293,629**	**4.48 %**
Noninterest-earning assets	779,853			550,164			494,149		
Total Assets	**$ 9,152,747**			**$ 7,435,536**			**$ 7,043,828**		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing demand	$ 961,823	$ 2,681	0.28 %	$ 641,403	$ 3,915	0.61 %	$ 570,459	$ 1,883	0.33 %
Money market	2,040,116	11,645	0.57 %	1,691,910	30,236	1.79 %	1,299,185	18,228	1.40 %
Savings	899,717	972	0.11 %	766,142	1,928	0.25 %	836,747	1,773	0.21 %
Certificates of deposit	1,517,643	20,688	1.36 %	1,396,706	26,947	1.93 %	1,328,985	18,972	1.43 %
Total Interest-bearing deposits	**5,419,299**	**35,986**	**0.66 %**	**4,496,161**	**63,026**	**1.40 %**	**4,035,376**	**40,856**	**1.01 %**
Securities sold under repurchase agreements	57,673	169	0.29 %	16,863	110	0.65 %	45,992	221	0.48 %
Short-term borrowings	155,753	1,434	0.92 %	255,264	6,416	2.51 %	525,172	11,082	2.11 %
Long-term borrowings	47,953	1,201	2.50 %	66,392	1,831	2.76 %	47,986	1,129	2.35 %
Junior subordinated debt securities	64,092	2,286	3.57 %	47,934	2,310	4.82 %	45,619	2,100	4.60 %
Total borrowings	**325,471**	**5,090**	**1.56 %**	**386,453**	**10,667**	**2.76 %**	**664,769**	**14,532**	**2.19 %**
Total Interest-bearing Liabilities	**5,744,770**	**41,076**	**0.72 %**	**4,882,614**	**73,693**	**1.51 %**	**4,700,145**	**55,388**	**1.18 %**
Noninterest-bearing liabilities	2,238,488			1,569,014			1,435,328		
Shareholders' equity	1,169,489			983,908			908,355		
Total Liabilities and Shareholders' Equity	**$ 9,152,747**			**$ 7,435,536**			**$ 7,043,828**		
Net Interest Income [2][3]		**$ 282,590**			**$ 250,548**			**$ 238,241**	
Net Interest Margin [2][3]			**3.38 %**			**3.64 %**			**3.64 %**

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

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:

	2020 Compared to 2019 Increase (Decrease) Due to			2019 Compared to 2018 Increase (Decrease) Due to		
(dollars in thousands)	**Volume[4]**	**Rate[4]**	**Net**	**Volume[4]**	**Rate[4]**	**Net**
Interest earned on:						
Interest-bearing deposits with banks	$ 2,467	$ (3,185)	$ (718)	$ 69	$ 122	$ 191
Securities at fair value[2][3]	2,274	(1,139)	1,135	(124)	140	16
Loans held for sale	114	(38)	76	37	(38)	(1)
Commercial real estate	19,772	(24,361)	(4,589)	7,902	4,836	12,738
Commercial and industrial	22,326	(24,003)	(1,677)	6,296	5,363	11,659
Commercial construction	8,349	(5,884)	2,465	(1,707)	877	(830)
Total commercial loans	**50,447**	**(54,248)**	**(3,801)**	**12,491**	**11,076**	**23,567**
Residential mortgage	8,815	(1,706)	7,109	2,937	1,180	4,117
Home equity	3,412	(7,151)	(3,739)	30	2,197	2,227
Installment and other consumer	555	(480)	75	359	220	579
Consumer construction	141	(140)	1	278	48	326
Total consumer loans	**12,923**	**(9,477)**	**3,446**	**3,604**	**3,645**	**7,249**
Total portfolio loans	**63,370**	**(63,725)**	**(355)**	**16,095**	**14,721**	**30,816**
Total loans [1][2]	**63,484**	**(63,763)**	**(279)**	**16,132**	**14,683**	**30,815**
Federal Home Loan Bank and other restricted stock	(271)	(442)	(713)	(581)	171	(410)
Change in Interest Earned on Interest-earning Assets	**$ 67,954**	**$ (68,529)**	**$ (575)**	**$ 15,496**	**$ 15,116**	**$ 30,612**
Interest paid on:						
Interest-bearing demand	$ 1,956	$ (3,190)	$ (1,234)	$ 234	$ 1,798	$ 2,032
Money market	6,223	(24,814)	(18,591)	5,510	6,498	12,008
Savings	336	(1,292)	(956)	(150)	305	155
Certificates of deposit	2,333	(8,592)	(6,259)	967	7,008	7,975
Total interest-bearing deposits	**10,848**	**(37,888)**	**(27,040)**	**6,561**	**15,609**	**22,170**
Securities sold under repurchase agreements	266	(207)	59	(140)	29	(111)
Short-term borrowings	(2,501)	(2,481)	(4,982)	(5,696)	1,030	(4,666)
Long-term borrowings	(509)	(121)	(630)	433	269	702
Junior subordinated debt securities	779	(803)	(24)	107	103	210
Total borrowings	**(1,965)**	**(3,612)**	**(5,577)**	**(5,296)**	**1,431**	**(3,865)**
Change in Interest Paid on Interest-bearing Liabilities	**$ 8,883**	**$ (41,500)**	**$ (32,617)**	**$ 1,265**	**$ 17,040**	**$ 18,305**
Change in Net Interest Income	**$ 59,071**	**$ (27,029)**	**$ 32,042**	**$ 14,231**	**$ (1,924)**	**$ 12,307**

[1]Nonaccruing loans are included in the daily average loan amounts outstanding.
[2]Tax-exempt income is on an FTE basis using the statutory federal corporate income tax rate of 21 percent.
[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.

Net interest income on an FTE basis (non-GAAP) increased $32.0 million, or 12.8 percent, compared to 2019. Net interest income was favorably impacted by purchase accounting fair value adjustments of $4.8 million mainly related to the DNB merger. The net interest margin on an FTE basis (non-GAAP) decreased 26 basis points to 3.38 percent compared to 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 6 basis points for 2020.

Interest income on an FTE basis (non-GAAP) decreased $0.6 million, or 0.2 percent, compared to 2019. The change was primarily due to increases in average interest-earning assets of $1.5 billion offset by lower short-term interest rates compared to 2019. Average loan balances increased $1.3 billion compared to 2019 due to the DNB merger and organic loan growth. PPP loans contributed $380.1 million of the average increase in loans. The average rate earned on loans decreased 86 basis points primarily due to lower short-term interest rates. Average interest-bearing deposits with banks increased $119.9 million and the average rate earned decreased 177 basis points compared to 2019. Average investment securities increased $86.2 million and the average rate earned decreased 15 basis points. Overall, the FTE rate on interest-earning assets (non-GAAP) decreased 84 basis points compared to 2019.

Interest expense decreased $32.6 million compared to 2019. The decrease was primarily due to lower short-term interest

rates. Average interest-bearing deposits increased $923.1 million compared to 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 74 basis points compared to 2019 primarily due to lower short-term interest rates. Average borrowings decreased $61.0 million due to increased deposits and the average rate paid decreased 120 basis points due to lower short-term interest rates. Overall, the cost of interest-bearing liabilities decreased 79 basis points compared to 2019.

Provision for Credit Losses

The provision for credit losses, which includes a provision for losses on loans and 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 $116.5 million to $131.4 million for 2020 compared to $14.9 million for 2019.

We recognized a charge-off of $58.7 million related to a customer fraud from a check kiting scheme during the second quarter of 2020. The fraud was perpetrated by a single business customer and the customer has plead guilty in a criminal investigation. We continue to pursue all available sources of recovery to mitigate the loss. The customer also had a lending relationship of $14.8 million, including a $14.0 million commercial real estate loan and an $0.8 million line of credit which resulted in an additional $8.9 million charge-off in 2020. At December 31, 2020, $5.9 million remains outstanding as a nonperforming loan that has been fully charged down to the estimated sale price of the collateral.

Excluding the customer fraud loss of $58.7 million, the provision for credit losses increased $57.8 million to $72.7 million for 2020 compared to $14.9 million in 2019. The significant increase in the provision for credit losses during the year was mainly due to the impact of the COVID-19 pandemic and our adoption of CECL on January 1, 2020. The COVID-19 pandemic has negatively impacted the hospitality industry resulting in deterioration in our $248 million hotel portfolio.

The impact of COVID-19 pandemic was captured in our quantitative reserve as certain impacted loans were downgraded to special mention and substandard and in our qualitative reserve through our economic forecast and other qualitative adjustments. Commercial special mention, substandard and doubtful loans increased $281 million to $572 million compared to $290 million at December 31, 2019, with an increase of $162 million in substandard loans, $113 million in special mention loans and $11.4 million in doubtful loans. The increase in both special mention and substandard loans was mainly due to downgrades in our hotel portfolio. Specific reserves on loans individually assessed increased $11.3 million to $13.5 million compared to $2.2 million in 2019. Included in the $13.5 million of specific reserves was $6.7 million for loans in our hotel portfolio. Specific reserves for hotels were based on liquidation values from appraisals received in the fourth quarter of 2020. Our qualitative reserve increased $14.1 million in 2020 which included $8.6 million for the economic forecast and $3.2 million for portfolio allocations made in our hotel, business banking and C&I portfolios due to the COVID-19 pandemic. The change in reserve attributed to the economic forecast reflected reductions in the second and third quarters due to an improved economic forecast. Our forecast covers a period of two years and is driven primarily by national unemployment data. The change attributed to the portfolio allocations was primarily due to $3.0 million of ACL added for our business banking portfolio.

Net loan charge-offs were $103.4 million, or 1.40 percent of average loans, in 2020 compared to $13.6 million, or 0.22 percent of average loans, during 2019. Excluding the customer fraud, net loan charge-offs were $44.7 million, or 0.60 percent in 2020.

Refer to the Credit Quality section of this MD&A for further details.

Noninterest Income

	Years Ended December 31,			
(dollars in thousands)	**2020**	**2019**	**$ Change**	**% Change**
Securities gains (losses), net	$ 142	$ (26)	$ 168	NM
Debit and credit card	15,093	13,405	1,688	12.6 %
Service charges on deposit accounts	13,597	13,316	281	2.1 %
Mortgage banking	10,923	2,491	8,432	338.5 %
Wealth management	9,957	8,623	1,334	15.5 %
Commercial loan swap income	4,740	5,503	(763)	(13.9) %
Other	5,267	9,246	(3,979)	(43.0) %
Total Noninterest Income	**$ 59,719**	**$ 52,558**	**$ 7,161**	**13.6 %**

NM- percentage change not meaningful

Noninterest income increased $7.2 million, or 13.6 percent, in 2020 compared to 2019. Total noninterest income includes a full-year impact of the DNB Merger for 2020 compared to one month in 2019. Our noninterest income has been negatively impacted due to changes in our customers' behavior during the pandemic. The increase in noninterest income primarily related

to higher mortgage banking income of $8.4 million compared to 2019 due to an increase in the volume of loans originated for sale in the secondary market resulting from a decline in mortgage interest rates. Debit and credit card fees increased $1.7 million compared to the prior year due to increased debit and credit card usage and the DNB Merger. Wealth management fees increased $1.3 million due to the DNB Merger. The $3.9 million decrease in other noninterest income was attributable to a change in the valuation of a deferred compensation plan, which has a corresponding offset in salaries and benefit expense resulting in no impact to net income, a change in the equity securities portfolio and a change in the credit valuation adjustment for our commercial loan swaps for risk associated with our hotel loan portfolio.

Noninterest Expense

	Years Ended December 31,			
(dollars in thousands)	**2020**	**2019**	**$ Change**	**% Change**
Salaries and employee benefits	$ 90,115	$ 83,986	$ 6,129	7.3 %
Data processing and information technology	15,499	14,468	1,031	7.1 %
Occupancy	14,529	12,103	2,426	20.0 %
Merger-related expenses	2,342	11,350	(9,008)	NM
Furniture, equipment and software	11,050	8,958	2,092	23.4 %
Marketing	5,996	4,631	1,365	29.5 %
Professional services and legal	6,394	4,244	2,150	50.7 %
Other taxes	6,622	3,364	3,258	96.8 %
FDIC insurance	5,089	758	4,331	571.4 %
Other expenses:				
Loan related expenses	5,044	3,250	1,794	55.2 %
Joint venture amortization	3,215	2,648	567	21.4 %
Supplies	1,318	1,159	159	13.7 %
Postage	1,262	1,082	180	16.6 %
Amortization of intangibles	2,531	836	1,695	202.8 %
Other	15,638	14,279	1,359	9.5 %
Total Other Noninterest Expense	**29,008**	**23,254**	**5,754**	**24.7 %**
Total Noninterest Expense	**$ 186,644**	**$ 167,116**	**$ 19,528**	**11.7 %**

NM - percentage not meaningful

Noninterest expense increased $19.5 million, or 11.7 percent, to $186.6 million in 2020 compared to 2019. Total noninterest expense includes a full-year impact of the DNB Merger for 2020 compared to one month in 2019. Total merger expenses decreased $9.0 million compared to 2019. Total merger related expenses of $2.3 million in 2020 were comprised of $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. The increases in net occupancy expense, furniture, equipment and software and other taxes related to the DNB merger. The increase in FDIC insurance of $4.3 million was 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 the Small Bank Assessment Credits that were received by all banking institutions with assets of less than $10 billion in third quarter 2019 that were not received in 2020. Also in addition to the merger, the increase of $3.3 million in other taxes was due to a one-time adjustment related to a state sales tax assessment in 2019. Salaries and employee benefits increased $6.1 million during 2020 primarily due to additional employees, mainly related to the merger, annual merit increases and higher pension expense due to an increase in retirees electing lump-sum distributions. Partially offsetting these increases were a decrease in restricted stock of $1.7 million and $3.0 million of deferred origination costs due to PPP loans and increased mortgage activity. Loan related expenses increased $1.8 million due to the customer fraud and increased mortgage volume. Professional services and legal expenses increased $2.1 million mainly due to higher legal expense.

Federal Income Taxes

The income tax provision was nearly zero compared to $19.1 million in 2019. The decrease in our income tax provision was mainly due to a $96.3 million decrease in net income before taxes in 2020 compared to 2019.

The effective tax rate, which is total tax expense as a percentage of net income before taxes, decreased 16.3 percent in 2020 to a nominal negative annual effective tax rate compared to 16.3 percent in 2019. The decrease in the effective tax rate was primarily due to significantly lower net income before taxes in 2020 compared to 2019. Historically, we have generated an annual effective tax rate that is less than the statutory rate of 21 percent due to benefits resulting from tax-exempt interest, excludable dividend income, tax-exempt income on BOLI and tax benefits associated with Low Income Housing Tax Credits, or LIHTC.

Financial Condition
December 31, 2021

Total assets increased $520.6 million to $9.5 billion at December 31, 2021 compared to $9.0 billion at December 31, 2020. Cash and due from banks increased $692.5 million to $922.2 million at December 30, 2021 compared to $229.7 million at December 31, 2020 due to PPP forgiveness and a significant increase in deposits as a result of government stimulus programs, a second round of PPP loans and our customers' liquidity preferences. Total portfolio loans decreased $225.9 million to $7.0 billion at December 31, 2021 compared to $7.2 billion at December 31, 2020. The decrease in portfolio loans is primarily related to decreases in the commercial loan portfolio of $267.1 million with decreases of $225.5 million in C&I, which included a decrease of $377.2 million of loans from the PPP, and a decrease of $33.3 million in commercial construction compared to December 31, 2020. Excluding the PPP loans, portfolio loans increased $151.3 million compared to December 31, 2020 due a modest increase in activity as the economic outlook improved. Consumer loans increased $41.3 million compared to December 31, 2020 primarily due to an increase of $29.1 million in the home equity portfolio and $27.0 million in installment and other consumer loans offset by a decrease in the residential mortgage portfolio of $18.4 million.

Securities increased $137.1 million to $910.8 million at December 31, 2021 from $773.7 million at December 31, 2020. The increase in securities is primarily due to a resumption in overall investing activities mainly during the second half of the year due to the increasing interest rate environment and the cash position. The bond portfolio had an unrealized gain of $9.4 million at December 31, 2021 compared to $33.4 million at December 31, 2020 due to an increase in interest rates.

Our deposits increased $576.0 million, with total deposits of $8.0 billion at December 31, 2021 compared to $7.4 billion at December 31, 2020. Customer deposits increased $639.2 million from December 31, 2020. 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 $486.6 million, interest-bearing demand increased $114.6 million, money market deposits increased $183.5 million and savings increased $140.6 million offset by a decrease in certificates of deposit of $286.2 million. Total brokered deposits decreased $63.2 million from December 31, 2020 due to a reduced need for wholesale funding given the customer deposit growth.

Total borrowings decreased $66.6 million to $161.3 million at December 31, 2021 compared to $227.9 million at December 31, 2020 due to an increase in customer deposits. The decrease in borrowings primarily related to a decline in short-term borrowings of $75.0 million offset by an increase in securities sold under repurchase agreements of $19.3 million due to demand for the product by our repurchase agreements, or REPO, customers.

Total shareholders' equity increased $51.7 million to $1.2 billion at December 31, 2021 compared to $1.2 billion at December 31, 2020. The increase was primarily due to net income of $110.3 million offset partially by dividends of $44.3 million and a decrease in other comprehensive income of $16.1 million. The decrease in other comprehensive income was mainly due to a decrease of $18.9 million, net of tax, in unrealized gains on our available-for-sale investment securities due to higher interest rates.

Securities Activity

The balances and average rates of our securities portfolio are presented below as of December 31:

	2021		2020		2019	
(dollars in thousands)	**Balance**	**Weighted-Average Yield**	**Balance**	**Weighted-Average Yield**	**Balance**	**Weighted-Average Yield**
U.S. Treasury securities	$ 95,327	1.26 %	$ 10,282	1.87 %	$ 10,040	1.87 %
Obligations of U.S. government corporations and agencies	70,348	2.29 %	82,904	2.28 %	157,697	2.20 %
Collateralized mortgage obligations of U.S. government corporations and agencies	270,294	1.97 %	209,296	2.23 %	189,348	2.68 %
Residential mortgage-backed securities of U.S. government corporations and agencies	56,793	1.57 %	67,778	1.26 %	22,418	2.95 %
Commercial mortgage-backed securities of U.S. government corporations and agencies	341,300	2.09 %	273,681	2.41 %	275,870	2.42 %
Corporate securities	500	3.22 %	2,025	3.90 %	7,627	4.35 %
Obligations of states and political subdivisions [(1)]	75,089	3.28 %	124,427	3.49 %	116,133	3.45 %
Marketable equity securities	1,142	2.93 %	3,300	2.90 %	5,150	2.77 %
Total Securities	**$ 910,793**	**2.05 %**	**$ 773,693**	**2.42 %**	**$ 784,283**	**2.56 %**

[(1)] *Weighted-average yields are calculated on a taxable-equivalent basis using the federal statutory tax rate of 21 percent for 2021, 2020 and 2019.*

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 increased $137.1 million to $910.8 million at December 31, 2021 from $773.7 million at December 31, 2020. The increase in securities is primarily due to an increase in overall investing activities due to excess liquidity. These increases were partially offset by reductions in unrealized gains due to a rising interest rate environment.

At December 31, 2021 our bond portfolio was in a net unrealized gain position of $9.4 million compared to a net unrealized gain position of $33.4 million at December 31, 2020. At December 31, 2021, total gross unrealized gains in the bond portfolio were $15.2 million offset by gross unrealized losses of $5.8 million compared to December 31, 2020, when total gross unrealized gains were $33.5 million offset by gross unrealized losses of $0.1 million. The decrease in the net unrealized gain position was primarily due to an increase in interest rates from December 31, 2020 to December 31, 2021. 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 December 31, 2021 or December 31, 2020.

Management evaluates the bond portfolio for impairment on a quarterly basis. The unrealized losses on debt securities were primarily attributable to changes in interest rates and not related to the credit quality of these securities. All debt securities were determined to be investment grade and paying principal and interest according to the contractual terms of the security at December 31, 2021. We do not intend to sell and it is more likely than not that we will not be required to sell any of the securities in an unrealized loss position before recovery of their amortized cost. We did not recognize any impairment charges on our securities portfolio in 2021, 2020 or 2019. The performance of the debt securities markets could generate impairments in future periods requiring realized losses to be reported.

The following table sets forth the maturities of securities at December 31, 2021 and the weighted average yields of such securities. Taxable-equivalent adjustments for 2021 have been made in calculating yields on obligations of state and political subdivisions.

	Maturing									
	Within One Year		After One But within Five Years		After Five But Within Ten Years		After Ten Years		No Fixed Maturity	
(dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available-for-Sale										
U.S. Treasury securities	$ 10,107	1.87 %	$ —	— %	$ 85,221	1.19 %	$ —	— %	$ —	— %
Obligations of U.S. government corporations and agencies	25,201	2.25 %	45,146	2.32 %	—	— %	—	— %	—	— %
Collateralized mortgage obligations of U.S. government corporations and agencies	—	— %	4,630	2.46 %	69,824	3.00 %	195,840	1.60 %	—	—%
Residential mortgage-backed securities of U.S. government corporations and agencies	—	— %	2,001	3.60 %	1,974	2.32 %	52,819	1.47 %	—	— %
Commercial mortgage-backed securities of U.S. government corporations and agencies	10,066	2.37 %	215,185	2.41 %	116,048	1.47 %	—	— %	—	—%
Obligations of states and political subdivisions [(1)]	8,720	3.37 %	21,216	3.09 %	22,206	3.56 %	22,947	3.14 %	—	— %
Corporate bonds	—	— %	500	3.22 %	—	— %	—	— %	—	— %
Marketable equity securities	—	— %	—	— %	—	— %	—	— %	1,142	2.93 %
Total	**$ 54,094**		**$ 288,678**		**$ 295,273**		**$ 271,606**		**$ 1,142**	
Weighted Average Yield		**2.38 %**		**2.45 %**		**1.91 %**		**1.70 %**		**2.93 %**

[(1)] Weighted-average yields are calculated on a taxable-equivalent basis using the federal statutory tax rate of 21 percent for 2021.

Lending Activity

The following table summarizes our loan portfolio as of December 31:

	2021		2020		2019		2018		2017	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial										
Commercial real estate	$ 3,236,653	46.2 %	$ 3,244,974	44.9 %	$ 3,416,518	47.9 %	$ 2,921,832	49.1 %	$ 2,685,994	44.6 %
Commercial and industrial	1,728,969	24.7 %	1,954,453	27.0 %	1,720,833	24.1 %	1,493,416	25.1 %	1,433,266	24.9 %
Commercial construction	440,962	6.3 %	474,280	6.6 %	375,445	5.3 %	257,197	4.3 %	384,334	6.7 %
Total Commercial Loans	**5,406,584**	**77.2 %**	**5,673,706**	**78.5 %**	**5,512,796**	**77.2 %**	**4,672,445**	**78.6 %**	**4,503,594**	**78.2 %**
Consumer										
Residential mortgage	899,956	12.9 %	918,398	12.7 %	998,585	14.0 %	726,679	12.2 %	698,774	12.1 %
Home equity	564,219	8.1 %	535,165	7.4 %	538,348	7.5 %	471,562	7.9 %	487,326	8.5 %
Installment and other consumer	107,928	1.5 %	80,915	1.1 %	79,033	1.1 %	67,546	1.1 %	67,204	1.2 %
Consumer construction	21,303	0.3 %	17,675	0.2 %	8,390	0.1 %	8,416	0.1 %	4,551	0.1 %
Total Consumer Loans	**1,593,406**	**22.8 %**	**1,552,153**	**21.5 %**	**1,624,356**	**22.8 %**	**1,274,203**	**21.4 %**	**1,257,855**	**21.8 %**
Total Portfolio Loans	**$ 6,999,990**	**100.0 %**	**$ 7,225,859**	**100.0 %**	**$ 7,137,152**	**100.0 %**	**$ 5,946,648**	**100.0 %**	**$ 5,761,449**	**100.0 %**

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.

We maintain a General Lending Policy to control the quality of our loan portfolio. The policy delegates the authority to extend loans under specific guidelines and underwriting standards. The General Lending Policy is formulated by management and reviewed and ratified annually by the Board of Directors.

Total portfolio loans decreased $225.9 million, or 3.1 percent, to $7.0 billion at December 31, 2021 compared to $7.2 billion at December 31, 2020. Commercial and industrial loans, or C&I, included $88.3 million of loans originated under the PPP at December 31, 2021. On March 27, 2020, the 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 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.

As of December 31, 2021, 74 percent of our total loans were variable rate loans and 26 percent were fixed rate loans. Commercial loans, including CRE, C&I and commercial construction, comprised 77.2 percent of total portfolio loans at December 31, 2021 and 78.5 percent at December 31, 2020. The decrease of $267.1 million in commercial loans related to $225.5 million in C&I, which included a decrease of $377.1 million of loans from the PPP, and a decrease of $33.3 million in commercial construction loans compared to December 31, 2020. Excluding the PPP loans, portfolio loans increased $151.3 million compared to December 31, 2020. Our loan demand was influenced by the pandemic during 2021, but we did see loan growth in the second half of 2021.

Consumer loans represent 22.8 percent of our total portfolio loans at December 31, 2021 and 21.5 percent at December 31, 2020. Consumer loans increased $41.3 million compared to December 31, 2020 primarily due to an increase of $29.1 million in the home equity portfolio and $27.0 million in installment and other consumer loans offset by a decrease in the residential mortgage portfolio of $18.4 million. Much of this growth came from our Eastern Pennsylvania market.

Residential mortgage lending continues to be a focus for us. The loan to value, or LTV, policy guideline is 80 percent for residential first lien mortgages. Higher LTV loans may be approved within unique program guidelines and the appropriate private mortgage insurance coverage. We originate traditional fixed rate mortgage loans and adjustable rate or balloon mortgages with a maximum amortization term of 30 years. We may originate home equity loans with a lien position that is second to unrelated third party lenders, but normally only to the extent that the combined LTV considering both the first and second liens does not exceed 100 percent of the fair value of the property. Combo mortgage loans consisting of a residential first mortgage and a home equity second mortgage are also available.

We originate and sell loans into the secondary market, primarily to Fannie Mae. We sell these loans in order to mitigate interest-rate risk associated with holding lower rate, long-term residential mortgages in the loan portfolio and to generate fee revenue from sales and servicing of the loans. We sold $288.3 million of 1-4 family mortgages in 2021 and $345.1 million in 2020 to Fannie Mae. Our servicing portfolio of mortgage loans that we had originated and sold into the secondary market was $841.7 million at December 31, 2021 compared to $718.2 million at December 31, 2020.

We also offer a variety of unsecured and secured consumer loan products.

The following table presents the maturity of commercial and consumer loans outstanding as of December 31, 2021:

	Maturity				
(dollars in thousands)	**Within One Year**	**After One But Within Five Years**	**After Five Years through 15 years**	**After 15 years**	**Total**
Fixed interest rates	$ 247,852	$ 700,593	$ 302,349	$ 17,995	$ 1,268,788
Variable interest rates	883,641	1,859,126	1,299,190	95,840	4,137,796
Total Commercial Loans	**$ 1,131,493**	**$ 2,559,719**	**$ 1,601,538**	**$ 113,834**	**$ 5,406,584**
Fixed interest rates	$ 56,152	$ 167,291	$ 252,522	$ 56,744	$ 532,710
Variable interest rates	539,454	113,069	277,759	130,413	1,060,696
Total Consumer Loans	**$ 595,606**	**$ 280,361**	**$ 530,282**	**$ 187,157**	**$ 1,593,406**
Total Portfolio Loans	**$ 1,727,099**	**$ 2,840,080**	**$ 2,131,820**	**$ 300,992**	**$ 6,999,990**

Off Balance Sheet Arrangements

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.

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

	December 31,	
(dollars in thousands)	2021	2020
Commitments to extend credit	$ 2,583,957	$ 2,185,752
Standby letters of credit	87,335	89,095
Total	**$ 2,671,292**	**$ 2,274,847**

See Note 19 Commitments and Contingencies in Part II, Item 8. Financial Statements and Supplementary Data of this Report for details on allowance for credit losses on unfunded commitments.

Credit Quality

On a quarterly basis, a criticized asset meeting is held to monitor all special mention and substandard loans greater than $1.5 million and to establish action plans for these loans. These loans typically represent the highest risk of loss to us. These loans are monitored through regular contact with the borrower, review of current financial information and other documentation, review of all loan or potential loan restructures or modifications and the regular re-evaluation of assets held as collateral.

Additional credit risk management practices include periodic review, at least annually, and updates of our lending policies and procedures to support sound underwriting practices and portfolio management through portfolio stress testing. We have a portfolio monitoring process in place that includes an annual review of all commercial relationships greater than $1.5 million. Business banking relationships less than $1.5 million are monitored through portfolio management software that identifies credit risk indicators. Our Credit Risk Review process serves to independently monitor credit quality and assess the effectiveness of credit risk management practices to provide oversight of all corporate lending activities. The Credit Risk Review function has the primary responsibility for assessing commercial credit administration and credit decision functions of consumer and mortgage underwriting, as well as providing input to the loan risk rating process.

Nonperforming assets, or NPAs, consist of nonaccrual loans, nonaccrual TDRs and OREO. The following represents NPAs as of December 31:

(dollars in thousands)	2021	2020	2019	2018	2017
Nonperforming Loans					
Commercial real estate	$ 30,924	$ 87,951	$ 22,427	$ 11,085	$ 2,501
Commercial and industrial	3,575	13,430	13,287	5,763	2,449
Commercial construction	384	384	737	11,780	1,460
Consumer real estate	9,476	15,624	8,658	6,262	6,316
Other consumer	158	96	36	33	62
Total Nonperforming Loans	**44,517**	**117,485**	**45,145**	**34,923**	**12,788**
Nonperforming Troubled Debt Restructurings					
Commercial real estate	1,968	17,062	6,713	967	646
Commercial and industrial	16,235	9,907	695	3,197	4,493
Commercial construction	2,087	—	—	2,413	430
Consumer real estate	1,484	2,320	1,500	4,564	6,022
Other consumer	—	—	4	9	7
Total Nonperforming Troubled Debt Restructurings	**21,774**	**29,289**	**8,912**	**11,150**	**11,598**
Total Nonperforming Loans	**66,291**	**146,774**	**54,057**	**46,073**	**24,386**
OREO	13,313	2,155	3,525	3,092	469
Total Nonperforming Assets	**$ 79,604**	**$ 148,929**	**$ 57,582**	**$ 49,165**	**$ 24,855**
Nonperforming loans as a percent of total loans	0.95 %	2.03 %	0.76 %	0.77 %	0.42 %
Nonperforming assets as a percent of total loans plus OREO	1.13 %	2.06 %	0.81 %	0.83 %	0.42 %

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 decreased $80.5 million to $66.3 million at December 31, 2021 compared to $146.8 million at December 31, 2020. The significant decrease in nonperforming loans primarily related to the return to performing status of $34.0 million of hotel loans, payoff of three CRE relationships for $14.4 million, charge-offs of four commercial relationships for $19.9 million and two loans moving to OREO for $12.2 million. Offsetting the decrease in nonperforming loans was the

addition of a $21.7 million C&I relationship that had a $10.3 million charge-off in 2021 and a $1.8 million specific reserve at December 31, 2021 based on an estimated enterprise value of the company.

TDRs are loans where we, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that we would not otherwise grant. We strive to identify borrowers in financial difficulty early and work with them to modify the terms before their loan reaches nonaccrual status. These modified terms generally include extensions of maturity dates at a stated interest rate lower than the current market rate for a new loan with similar risk characteristics, reductions in contractual interest rates or principal deferment. While unusual, there may be instances of principal forgiveness. These modifications are generally for longer term periods that would not be considered insignificant. Additionally, we classify loans where the debt obligation has been discharged through a Chapter 7 bankruptcy and not reaffirmed by the borrower as TDRs.

An accruing loan that is modified into a TDR can remain in accrual status if, based on a current credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured and the borrower has demonstrated sustained historical repayment performance for a reasonable period before the modification. All commercial TDRs are individually evaluated, and all consumer TDRs are reserved for at the pool level based on their similar risk characteristics. For all commercial TDRs, regardless of size, we conduct further analysis to determine the loss and assign a specific reserve to the loan if deemed appropriate. 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.

TDRs decreased $15.0 million to $31.7 million at December 31, 2021 compared to $46.7 million at December 31, 2020. Total TDRs of $31.7 million at December 31, 2021 included $9.9 million, or 31.2 percent, that were performing and $21.8 million, or 68.8 percent, that were not performing. This is a decrease from December 31, 2020 when we had $46.7 million in TDRs, including $17.4 million that were performing and $29.3 million that were nonperforming. The decrease in nonperforming TDRs during 2021 primarily related to a $6.1 million CRE loan that moved to OREO in the third quarter of 2021, a $4.6 million charge-off of a C&I loan and a $4.8 million payoff of a CRE loan. Offsetting this decrease was the addition of the $21.7 million C&I relationship discussed above that moved to TDR during the three months ended December 31, 2021. The modification was classified a TDR as it resulted in a payment delay at a non-market rate of interest. The decrease in performing TDRs during 2021 was attributed to payoffs of a $3.7 million CRE loan and a $2.5 million C&I loan.

Loan modifications resulting in new TDRs during 2021 included 40 modifications for $17.6 million compared to 40 modifications for $22.7 million of new TDRs in 2020. Included in the 2021 new TDRs were 25 loans totaling $1.1 million related to consumer bankruptcy filings that were not reaffirmed, thus resulting in discharged debt, which compares to 23 loans totaling $1.0 million in 2020.

The following represents delinquency as of December 31:

	2021		2020		2019		2018		2017	
(dollars in thousands)	**Amount**	**% of Loans**	**Amount**	**% of Loans**	**Amount**	**% of Loans**	**Amount**	**% of Loans**	**Amount**	**% of Loans**
90 days or more:										
Commercial real estate	$ 32,892	1.02 %	$ 105,014	3.24 %	$ 29,140	0.85 %	$ 12,052	0.41 %	$ 3,468	0.13 %
Commercial and industrial	19,810	1.15 %	23,337	1.19 %	13,982	0.81 %	8,960	0.60 %	5,646	0.39 %
Commercial construction	2,471	0.56 %	384	0.08 %	737	0.20 %	14,193	5.52 %	3,873	1.01 %
Consumer real estate	10,960	0.74 %	17,943	1.22 %	10,158	0.66 %	10,826	0.90 %	10,880	0.91 %
Other consumer	158	0.15 %	96	0.12 %	40	0.05 %	42	0.06 %	71	0.11 %
Total Loans	**$ 66,291**	**0.95 %**	**$ 146,774**	**2.03 %**	**$ 54,057**	**0.76 %**	**$ 46,073**	**0.77 %**	**$ 23,938**	**0.42 %**
30 to 89 days:										
Commercial real estate	$ —	— %	$ 415	0.01 %	$ 10,311	0.28 %	$ 5,783	0.20 %	$ 1,131	0.04 %
Commercial and industrial	1,711	0.10 %	1,161	0.04 %	4,886	0.17 %	1,983	0.13 %	866	0.06 %
Commercial construction	502	0.11 %	3,641	0.01 %	2,119	0.25 %	—	— %	2,493	0.65 %
Consumer real estate	3,287	0.22 %	3,430	0.24 %	5,943	0.39 %	4,816	0.40 %	7,069	0.60 %
Other consumer	256	0.24 %	205	0.21 %	718	0.54 %	223	0.33 %	363	0.54 %
Loans held for sale	—	— %	—	— %	—	— %	—	— %	—	— %
Total Loans	**$ 5,757**	**0.08 %**	**$ 8,852**	**0.12 %**	**$ 23,977**	**0.34 %**	**$ 12,805**	**0.22 %**	**$ 11,922**	**0.21 %**

Closed-end installment loans, amortizing loans secured by real estate and any other loans with payments scheduled monthly are reported past due when the borrower is in arrears two or more monthly payments. Other multi-payment obligations with payments scheduled other than monthly are reported past due when one scheduled payment is due and unpaid for 30 days or more. We monitor delinquency on a monthly basis, including early-stage delinquencies of 30 to 89 days past due for early identification of potential problem loans. Loans past due 90 days or more decreased $80.5 million compared to December 31, 2020 and represented 0.95 percent of total loans at December 31, 2021. The change in loans past due 90 days or more is explained above in nonperforming assets discussion under Credit Quality. Loans past due by 30 to 89 days decreased $3.1 million and represented 0.08 percent of total loans at December 31, 2021.

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.

Our charge-off policy for commercial loans requires that loans and other obligations that are not collectible be promptly charged-off when the loss becomes probable, regardless of the delinquency status of the loan. We may elect to recognize a partial charge-off when management has determined that the value of collateral is less than the remaining investment in the loan. A loan or obligation does not need to be charged-off, regardless of delinquency status, if (i) management has determined there exists sufficient collateral to protect the remaining loan balance and (ii) there exists a strategy to liquidate the collateral. Management may also consider a number of other factors to determine when a charge-off is appropriate. These factors may include, but are not limited to:

- The status of a bankruptcy proceeding;
- The value of collateral and probability of successful liquidation; and/or
- The status of adverse proceedings or litigation that may result in collection.

Consumer unsecured loans and secured loans are evaluated for charge-off after the loan becomes 90 days past due. Unsecured loans are fully charged off and secured loans are charged down to the estimated fair value of the collateral less the cost to sell.

The following summarizes our loan charge-off experience for each of the four years presented below:

	Years Ended December 31,			
(dollars in thousands)	**2021**	**2020**	**2019[(1)]**	**2018[(1)]**
ACL Balance at Beginning of Year:	$ 117,612	$ 62,224	$ 60,996	$ 56,390
Charge-offs:				
Commercial real estate	(13,493)	(27,512)	(3,664)	(372)
Commercial and industrial	(22,305)	(75,408)	(8,928)	(8,574)
Commercial construction	(55)	(454)	(406)	(2,630)
Consumer real estate	(719)	(1,101)	(1,353)	(1,319)
Other consumer	(952)	(1,890)	(1,838)	(1,694)
Total	**(37,524)**	**(106,365)**	**(16,189)**	**(14,589)**
Recoveries:				
Commercial real estate	1,196	348	137	309
Commercial and industrial	822	1,733	1,388	1,723
Commercial construction	14	183	5	1,135
Consumer real estate	310	233	637	541
Other consumer	652	489	377	492
Total	**2,994**	**2,986**	**2,544**	**4,200**
Net Charge-offs	**(34,530)**	**(103,379)**	**(13,645)**	**(10,389)**
Impact of CECL adoption	—	27,346	—	—
Provision for credit losses	15,494	131,421	14,873	14,995
ACL Balance at End of Year:	**$ 98,576**	**$ 117,612**	**$ 62,224**	**$ 60,996**

[(1)]*Represents ALL for year presented*

Net loan charge-offs for 2021 were $34.5 million, or 0.49 percent of average loans, compared to $103.4 million, or 1.41 percent of average loans for 2020. Excluding the customer fraud, net loan charge-offs were $44.7 million, or 0.61 percent of average loans for 2020. There were two significant charge-offs during 2021. The first was a $10.3 million charge-off for a C&I relationship based on an estimated enterprise value of the company. The second charge-off of $9.5 million was for a C&I relationship during 2021 due to updated financial information that evidenced a decrease in the collateral value.In addition to the above, other significant charge-offs during 2021 included two CRE relationships totaling $9.2 million. The charge-offs were due to market deterioration in the collateral values.

The following table summarizes net charge-offs as a percentage of average loans for the years presented:

	2021	2020	2019	2018	2017
Commercial real estate	0.38 %	0.81 %	0.10 %	NM	0.06 %
Commercial and industrial	1.17 %	3.65 %	0.44 %	0.48 %	0.28 %
Commercial construction	0.01 %	0.06 %	0.11 %	0.48 %	0.40 %
Consumer real estate	0.03 %	0.06 %	0.05 %	0.07 %	0.16 %
Other consumer	0.33 %	1.75 %	1.85 %	1.79 %	1.54 %
Net charge-offs to average loans outstanding	0.49 %	1.40 %	0.22 %	0.18 %	0.18 %
Allowance for credit losses as a percentage of total portfolio loans	1.41 %	1.63 %	0.87 %	1.03 %	0.98 %
Allowance for credit losses as a percentage of total portfolio loans excluding PPP	1.43 %	1.74 %	— %	— %	— %
Allowance for credit losses to total nonperforming loans	149 %	80 %	115 %	132 %	236 %
Provision for credit losses as a percentage of net loan charge-offs	45 %	127 %	109 %	144 %	135 %

NM - percentage not meaningful

The following is the ACL balance by portfolio segment as of December 31:

	2021		2020		2019		2018		2017	
(dollars in thousands)	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Commercial real estate	$ 50,700	51.4 %	$ 65,656	55.8 %	$ 30,577	49.1 %	$ 33,707	55.3 %	$ 27,235	48.3 %
Commercial and industrial	19,727	20.0 %	16,100	13.7 %	15,681	25.2 %	11,596	19.0 %	8,966	15.9 %
Commercial construction	5,355	5.4 %	7,239	6.2 %	7,900	12.7 %	7,983	13.1 %	13,167	23.4 %
Business banking	11,338	11.5 %	15,917	13.5 %	—	— %	—	— %	—	— %
Consumer real estate	8,733	8.9 %	10,014	8.5 %	6,337	10.2 %	6,187	10.1 %	5,479	9.7 %
Other consumer	2,723	2.8 %	2,686	2.3 %	1,729	2.8 %	1,523	2.5 %	1,543	2.7 %
Total	**$ 98,576**	**100.0 %**	**$ 117,612**	**100.0 %**	**$ 62,224**	**100.0 %**	**$ 60,996**	**100.0 %**	**$ 56,390**	**100.0 %**

Significant to our ACL is a higher concentration of commercial loans. The ability of borrowers to repay commercial loans is dependent upon the success of their business and general economic conditions. Due to the greater potential for loss within our commercial portfolio, 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 rated special mention or substandard have potential or well-defined weaknesses not generally found in high quality, performing loans, and require attention from management to limit loss.

The following table summarizes the ACL balance as of December 31:

(dollars in thousands)	2021	2020	2019	2018	2017
Collectively Evaluated	$ 96,799	$ 104,048	$ 60,024	$ 59,233	$ 56,313
Individually Evaluated	1,777	13,564	2,200	1,763	77
Total Allowance for Credit Losses	**$ 98,576**	**$ 117,612**	**$ 62,224**	**$ 60,996**	**$ 56,390**

The ACL was $98.6 million, or 1.41 percent of total portfolio loans, at December 31, 2021, compared to $117.6 million, or 1.63 percent of total portfolio loans, at December 31, 2020. The decrease in the ACL of $19.0 million was due to an $11.7 million decrease in specific reserves on loans individually evaluated and a $7.3 million decrease in loans collectively evaluated. The decrease in specific reserves was the result of approximately $7.8 million of loan charge-offs and the release of $5.7 million of specific reserve due to improved operating performance within our hotel portfolio. Offsetting this decrease in specific reserve was the addition of a $1.8 million specific reserve related to a $21.7 million C&I relationship that also had a $10.3 million charge-off in 2021 based on an estimated enterprise value of the company. The decrease in loans collectively evaluated of $7.3 million was due to improved economic conditions offset by additional segment allocations for our healthcare and C&I portfolios along with the increased uncertainty at year-end related to the Covid-19 Omicron variant.

Federal Home Loan Bank and Other Restricted Stock

At December 31, 2021 and 2020, we held FHLB of Pittsburgh stock of $8.5 million and $12.0 million. This investment is carried at cost and evaluated for impairment based on the ultimate recoverability of the par value. We hold FHLB stock because we are a member of the FHLB of Pittsburgh. The FHLB requires members to purchase and hold a specified level of FHLB stock based upon on the members' asset values, level of borrowings and participation in other programs offered. Stock in the FHLB is non-marketable and is redeemable at the discretion of the FHLB. Members do not purchase stock in the FHLB for the same reasons that traditional equity investors acquire stock in an investor-owned enterprise. Rather, members purchase stock to obtain access to the products and services offered by the FHLB. Unlike equity securities of traditional for-profit enterprises, the stock of the FHLB does not provide its holders with an opportunity for capital appreciation because, by regulation, FHLB stock can only be purchased, redeemed and transferred at par value. We reviewed and evaluated the FHLB capital stock for impairment at December 31, 2021. The FHLB exceeds all required capital ratios. Additionally, we considered that the FHLB has been paying dividends and actively redeeming stock throughout 2021 and 2020. Accordingly, we believe sufficient evidence exists to conclude that no impairment existed at December 31, 2021.

Deposits

The following table presents the composition of deposits at December 31:

(dollars in thousands)	2021	2020	$ Change
Customer deposits			
Noninterest-bearing demand	$ 2,748,586	$ 2,261,994	$ 486,592
Interest-bearing demand	979,133	864,510	114,623
Money market	2,070,579	1,887,051	183,528
Savings	1,110,155	969,508	140,647
Certificates of deposit	1,083,071	1,369,239	(286,168)
Total customer deposits	**7,991,524**	**7,352,302**	**639,222**
Brokered deposits			
Money market	—	50,012	(50,012)
Certificates of deposit	5,000	18,224	(13,224)
Total brokered deposits	**5,000**	**68,236**	**(63,236)**
Total Deposits	**$ 7,996,524**	**$ 7,420,538**	**$ 575,986**

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 increased $576.0 million, or 7.8 percent, at December 31, 2021 compared to December 31, 2020. Total customer deposits increased $639.2 million from December 31, 2020 primarily related to government stimulus programs, PPP loans and our customers' liquidity preferences. Total brokered deposits decreased $63.2 million from December 31, 2020 due to a reduced need for this funding given 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.

The daily average balance of deposits and rates paid on deposits are summarized in the following table for the years ended December 31:

	2021		2020		2019	
(dollars in thousands)	**Amount**	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Noninterest-bearing demand	$ 2,594,152	—	$ 2,072,310	—	$ 1,475,960	—
Interest-bearing demand	956,211	0.08 %	844,331	0.19 %	561,756	0.41 %
Money market	2,026,083	0.18 %	1,960,741	0.57 %	1,474,841	1.69 %
Savings	1,047,855	0.03 %	899,717	0.11 %	766,142	0.25 %
Certificates of deposit	1,246,499	0.46 %	1,482,127	1.34 %	1,322,643	1.91 %
Brokered deposits	16,419	1.15 %	232,384	1.02 %	370,779	2.32 %
Total	**$ 7,887,218**	**0.14 %**	**$ 7,491,610**	**0.48 %**	**$ 5,972,121**	**1.06 %**

CDs of $250,000 and over accounted for 3.0 percent of total deposits at December 31, 2021 and 4.5 percent of total deposits at December 31, 2020 and primarily represent deposit relationships with local customers in our market area.

Maturities of CDs of $250,000 or more outstanding at December 31, 2021 are summarized as follows:

(dollars in thousands)	**2021**
Three months or less	$ 143,843
Over three through six months	45,989
Over six through twelve months	45,524
Over twelve months	8,045
Total	**$ 243,401**

Borrowings

The following table represents the composition of borrowings for the years ended December 31:

(dollars in thousands)	**2021**	**2020**	**$ Change**
Securities sold under repurchase agreements, retail	$ 84,491	$ 65,163	$ 19,328
Short-term borrowings	—	75,000	(75,000)
Long-term borrowings	22,430	23,681	(1,251)
Junior subordinated debt securities	54,393	64,083	(9,690)
Total Borrowings	**$ 161,314**	**$ 227,928**	**$ (66,614)**

Borrowings are an additional source of funding for us. Total borrowings decreased $66.6 million compared to December 31, 2020 due to increased customer deposits. Short-term borrowings decreased $75.0 million compared to December 31, 2020. At December 31, 2021, our long-term borrowings outstanding of $22.4 million included $19.3 million that were at a fixed rate and $3.1 million at a variable rate. Junior subordinated debt securities decreased $9.7 million compared to December 31, 2020 due to the repayment of a subordinated debt.

Information pertaining to short-term borrowings is summarized in the tables below:

	Securities Sold Under Repurchase Agreements		
(dollars in thousands)	**2021**	**2020**	**2019**
Balance at December 31	$ 84,491	$ 65,163	$ 19,888
Average balance during the year	$ 69,964	$ 57,673	$ 16,863
Average interest rate during the year	0.11 %	0.29 %	0.65 %
Maximum month-end balance during the year	$ 84,491	$ 92,159	$ 23,427
Average interest rate at December 31	0.10 %	0.25 %	0.74 %

	Short-Term Borrowings		
(dollars in thousands)	**2021**	**2020**	**2019**
Balance at December 31	$ —	$ 75,000	$ 281,319
Average balance during the year	$ 6,301	$ 155,753	$ 255,264
Average interest rate during the year	0.19 %	0.92 %	2.51 %
Maximum month-end balance during the year	$ 25,000	$ 410,240	$ 425,000
Average interest rate at December 31	— %	0.19 %	1.84 %

Information pertaining to long-term borrowings is summarized in the tables below:

	Long-Term Borrowings		
(dollars in thousands)	2021	2020	2019
Balance at December 31	$ 22,430	$ 23,681	$ 50,868
Average balance during the year	22,995	47,953	$ 66,392
Average interest rate during the year	1.99 %	2.50 %	2.76 %
Maximum month-end balance during the year	$ 23,549	$ 50,635	$ 70,418
Average interest rate at December 31	1.94 %	2.03 %	2.61 %

	Junior Subordinated Debt Securities		
(dollars in thousands)	2021	2020	2019
Balance at December 31	$ 54,393	$ 64,083	$ 64,277
Average balance during the year	$ 61,653	$ 64,092	$ 47,934
Average interest rate during the year	2.99 %	3.57 %	4.82 %
Maximum month-end balance during the year	$ 64,128	$ 64,848	$ 64,277
Average interest rate at December 31	2.69 %	3.01 %	4.42 %

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, or 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 third party investors are considered the primary beneficiaries of the Trusts; therefore, the Trusts qualify as variable interest entities, but are not consolidated into our financial statements. The Trusts pays 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. Refer to Note 17 Short-Term Borrowings and Note 18 Long-Term Borrowings and Subordinated Debt to the Consolidated Financial Statements included in Part II, Item 8. Financial Statements and Supplementary Data, of this Report, for more details.

Wealth Management Assets

As of December 31, 2021, the fair value of the S&T Bank Wealth Management assets under administration, which are not accounted for as part of our assets, increased to $2.3 billion from $2.1 billion as of December 31, 2020. Assets under administration consisted of $1.4 billion in S&T Trust, $0.8 billion in S&T Financial Services and $0.1 billion in Stewart Capital Advisors.

Liquidity and Capital Resources

Liquidity

Liquidity is defined as a financial institution's ability to meet its cash and collateral obligations at a reasonable cost. Our primary future cash needs are centered on the ability to (i) satisfy the financial needs of depositors who may want to
withdraw funds or of borrowers needing to access funds to meet their credit needs and (ii) to meet our future cash commitments
under contractual obligations with third parties. 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. Our deposits grew significantly during 2021 and we ended the year in a strong liquidity position. Refer to the 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. We believe that these funding sources will provide adequate resources to fund our short-term and long-term operating and financing needs. In addition, our ability to access capital markets provides additional sources of funding with respect to strategic investing opportunities. Our access to and the availability of funds in the future will be affected by many factors, including, but not limited to our financial condition and prospects, our credit rating, the liquidity of the overall capital markets and the current state of the economy.

The following table summarizes our material contractual obligations as of December 31, 2021:

	Payments Due In				
(dollars in thousands)	**2022**	**2023-2024**	**2025-2026**	**Later Years**	**Total**
Certificates of deposit[(1)]	$ 961,578	$ 62,334	$ 60,820	$ 3,339	$ 1,088,071
Securities sold under repurchase agreements[(1)]	84,491	—	—	—	$ 84,491
Junior subordinated debt securities[(1)]	—	—	—	54,393	$ 54,393
Operating and capital leases	4,932	9,290	9,383	65,052	$ 88,657
Purchase obligations	19,823	42,432	46,492	—	$ 108,747

[(1)]*Excludes interest*

Excluded from the table are deposits with no stated maturity of $6,908,453 as of December 31, 2021, a contractual obligation that we consider when assessing our liquidity, particularly in the context of a liquidity stress event as discussed below.

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 December 31, 2021, we had $1.3 billion in highly liquid assets, which consisted of $856.7 million in interest-bearing deposits with banks, $442.8 million in unpledged securities and $1.5 million in loans held for sale. This resulted in a highly liquid assets to total assets ratio of 13.7 percent at December 31, 2021. Also, at December 31, 2021, we had a remaining borrowing availability of $2.5 billion with the FHLB of Pittsburgh. Refer to Note 17 Short-Term Borrowings and Note 18 Long-Term Borrowings and Subordinated Debt to the Consolidated Financial Statements included in Part II, Item 8. Financial Statements and Supplementary Data, and the Borrowings section of this MD&A, for more details.

Capital Resources

Shareholders' equity increased $51.7 million, or 4.5 percent, to $1.2 billion at December 31, 2021 compared to $1.2 billion at December 31, 2020. The increase was primarily due to net income of $110.3 million partially offset by dividends of $44.3 million and a $16.1 million decrease in other comprehensive income. The decrease in other comprehensive income was due to a $18.9 million decrease in unrealized gains on our available-for-sale securities, net of tax, which was partially offset by a $2.8 million change in the funded status of our employee benefit plan.

We continue to maintain our capital position with a leverage ratio of 9.74 percent as compared to the regulatory guideline of 5.00 percent to be well-capitalized and a risk-based Common Equity Tier 1 ratio of 12.03 percent compared to the regulatory guideline of 6.50 percent to be well-capitalized. Our risk-based Tier 1 and Total capital ratios were 12.43 percent and 13.79 percent, which places us above the federal bank regulatory agencies' well-capitalized guidelines of 8.00 percent and 10.00 percent, respectively. We believe that we have the ability to raise additional capital, if necessary.

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.

In July 2013 the federal banking agencies issued a final rule to implement Basel III and the minimum leverage and risk-based capital requirements of the Dodd-Frank Act. The rule requires a banking organization to maintain a capital conservation buffer composed of common equity tier 1 capital in an amount greater than 2.50 percent of total risk-weighted assets. Banking organizations must maintain a common equity tier 1 risk-based capital ratio greater than 7.00 percent, a tier 1 risk-based capital ratio greater than 8.50 percent and a total risk-based capital ratio greater than 10.50 percent; otherwise, it will be subject to restrictions on capital distributions and discretionary bonus payments. The minimum capital requirements plus the capital

conservation buffer exceeds the regulatory capital ratios required for an insured depository institution to be well-capitalized under the FDIC's prompt corrective action framework.

Federal regulators periodically propose amendments to the regulatory capital rules and the related regulatory framework and consider changes to the capital standards that could significantly increase the amount of capital needed to meet applicable standards. The timing of adoption, ultimate form and effect of any such proposed amendments cannot be predicted.

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 December 31, 2021, we had not issued any securities pursuant to the shelf registration statement.

Inflation

Management is aware of the significant effect inflation has on interest rates and can have on financial performance and is closely monitoring the increased inflation rates being experienced in the economy. Our ability to cope with this is best determined by analyzing our capability to respond to changing interest rates and our ability to manage noninterest income and expense. We monitor the mix of interest-rate sensitive assets and liabilities through ALCO in order to reduce the impact of inflation on net interest income. We also control the effects of inflation by reviewing the prices of our products and services, by introducing new products and services and by controlling overhead expenses.

Item 7A. 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 the ALCO. The ALCO monitors and manages market risk through rate shock analyses, economic value of equity, or EVE, analyses and by performing stress tests and simulations 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 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 percent 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 to 12 and 13 to 24 month periods of pretax net interest income and EVE. All results are in the minimal risk tolerance level.

	December 31, 2021			December 31, 2020		
	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	30.4	40.3	18.4	15.8	28.5	28.5
300	22.5	30.0	19.9	11.7	21.3	29.0
200	14.9	20.2	18.4	7.7	14.3	25.6
100	7.0	9.9	11.9	4.4	8.0	17.7
-100	(4.6)	(8.4)	(26.3)	(2.8)	(5.7)	(28.2)

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 rates up scenarios and a decline in the rates down scenarios when comparing December 31, 2021 to December 31, 2020. We have become more asset sensitive due to our increased balances at the Federal Reserve. Our EVE analyses show a decline in the percentage change in EVE in the rates up scenarios and an improvement in the rates down scenario when comparing December 31, 2021 to December 31, 2020. The EVE decline is due to the impact of a steepened yield curve on the value of non-maturity deposits.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - continued

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Financial Statements

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CONSOLIDATED BALANCE SHEETS
S&T Bancorp, Inc. and Subsidiaries

(in thousands, except share and per share data)	December 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks, including interest-bearing deposits of $857,192 and $158,903 at December 31, 2021 and December 31, 2020	$ 922,215	$ 229,666
Securities, at fair value	910,793	773,693
Loans held for sale	1,522	18,528
Portfolio loans, net of unearned income	6,999,990	7,225,860
Allowance for credit losses	(98,576)	(117,612)
Portfolio loans, net	6,901,414	7,108,248
Bank owned life insurance	83,685	82,303
Premises and equipment, net	52,632	55,614
Federal Home Loan Bank and other restricted stock, at cost	9,519	13,030
Goodwill	373,424	373,424
Other intangible assets, net	6,895	8,675
Other assets	226,430	304,716
Total Assets	**$ 9,488,529**	**$ 8,967,897**
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 2,748,586	$ 2,261,994
Interest-bearing demand	979,133	864,510
Money market	2,070,579	1,937,063
Savings	1,110,155	969,508
Certificates of deposit	1,088,071	1,387,463
Total Deposits	**7,996,524**	**7,420,538**
Securities sold under repurchase agreements	84,491	65,163
Short-term borrowings	—	75,000
Long-term borrowings	22,430	23,681
Junior subordinated debt securities	54,393	64,083
Other liabilities	124,237	164,721
Total Liabilities	**8,282,075**	**7,813,186**
SHAREHOLDERS' EQUITY		
Common stock ($2.50 par value) Authorized—50,000,000 shares Issued—41,449,444 shares at December 31, 2021 and December 31, 2020 Outstanding—39,351,194 shares at December 31, 2021 and 39,298,007 shares at December 31, 2020	103,623	103,623
Additional paid-in capital	403,095	400,668
Retained earnings	773,659	710,061
Accumulated other comprehensive (loss) income	(7,090)	8,971
Treasury stock — 2,098,250 shares at December 31, 2021 and 2,151,437 shares at December 31, 2020, at cost	(66,833)	(68,612)
Total Shareholders' Equity	**1,206,454**	**1,154,711**
Total Liabilities and Shareholders' Equity	**$ 9,488,529**	**$ 8,967,897**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF NET INCOME
S&T Bancorp, Inc. and Subsidiaries

(dollars in thousands, except per share data)	Years ended December 31, 2021	2020	2019
INTEREST AND DIVIDEND INCOME			
Loans, including fees	$ 270,460	$ 300,960	$ 300,625
Investment securities:			
Taxable	15,706	14,918	14,733
Tax-exempt	2,593	3,497	3,302
Dividends	503	1,089	1,824
Total Interest and Dividend Income	**289,262**	**320,464**	**320,484**
INTEREST EXPENSE			
Deposits	10,757	35,986	63,026
Borrowings and junior subordinated debt securities	2,393	5,090	10,667
Total Interest Expense	**13,150**	**41,076**	**73,693**
NET INTEREST INCOME	**276,112**	**279,388**	**246,791**
Provision for credit losses[(1)]	16,215	131,424	14,873
Net Interest Income After Provision for Credit Losses	**259,897**	**147,964**	**231,918**
NONINTEREST INCOME			
Net gain (loss) on sale of securities	29	142	(26)
Debit and credit card	17,952	15,093	13,405
Service charges on deposit accounts	15,040	13,597	13,316
Wealth management	12,889	9,957	8,623
Mortgage banking	9,734	10,923	2,491
Commercial loan swap income	1,146	4,740	5,503
Other	7,820	5,267	9,246
Total Noninterest Income	**64,610**	**59,719**	**52,558**
NONINTEREST EXPENSE			
Salaries and employee benefits	100,214	90,115	83,986
Data processing and information technology	16,681	15,499	14,468
Occupancy	14,544	14,529	12,103
Furniture, equipment and software	10,684	11,050	8,958
Other taxes	6,644	6,622	3,364
Professional services and legal	6,368	6,394	4,244
Marketing	4,553	5,996	4,631
FDIC insurance	4,224	5,089	758
Merger related expenses	—	2,342	11,350
Other	24,927	29,008	23,254
Total Noninterest Expense	**188,839**	**186,644**	**167,116**
Income Before Taxes	**135,668**	**21,039**	**117,360**
Income taxes (benefit) expense	25,325	(1)	19,126
Net Income	**$ 110,343**	**$ 21,040**	**$ 98,234**
Earnings per common share—basic	$ 2.81	$ 0.54	$ 2.84
Earnings per common share—diluted	$ 2.81	$ 0.53	$ 2.82
Dividends declared per common share	$ 1.13	$ 1.12	$ 1.09

[(1)]*Beginning January 1, 2020, provision for credit losses is based on current expected credit loss methodology due to the adoption of CECL. Prior to January 1, 2020, it was based on incurred loss methodology.*

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
S&T Bancorp, Inc. and Subsidiaries

	Years ended December 31,		
(dollars in thousands)	2021	2020	2019
Net Income	**$ 110,343**	**$ 21,040**	**$ 98,234**
Other Comprehensive Income (Loss), Before Tax:			
Net change in unrealized (losses) gains on debt securities available-for-sale	(23,972)	22,683	15,793
Net available-for-sale securities losses reclassified into earnings [(1)]	—	—	26
Adjustment to funded status of employee benefit plans	3,561	3,549	(1,282)
Other Comprehensive (Loss) Income, Before Tax	**(20,411)**	**26,232**	**14,537**
Income tax benefit (expense) related to items of other comprehensive income	4,350	(5,591)	(3,100)
Other Comprehensive (Loss) Income, After Tax	**(16,061)**	**20,641**	**11,437**
Comprehensive Income	**$ 94,282**	**$ 41,681**	**$ 109,671**

[(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 Net Income as follows: the pre-tax amount is included in securities gains/losses-net, the tax expense amount is included in the provision for income taxes and the net of tax amount is included in net income.

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
S&T Bancorp, Inc. and Subsidiaries

(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 December 31, 2018	**$ 90,326**	**$ 210,345**	**$ 701,819**	**$ (23,107)**	**$ (43,622)**	**$ 935,761**
Net Income for 2019	—	—	98,234	—	—	98,234
Other comprehensive income, net of tax	—	—	—	11,437	—	11,437
Impact of new lease standard	—	—	167	—	—	167
Cash dividends declared ($1.09 per share)	—	—	(37,360)	—	—	(37,360)
Common stock issuance cost	—	(176)	—	—	—	(176)
Common stock issued in acquisition (5,318,962 shares)	13,297	187,334	—	—	—	200,631
Treasury stock repurchased (470,708 shares)	—	—	—	—	(18,222)	(18,222)
Treasury stock issued (28,174 shares, net)	—	—	(1,777)	—	862	(915)
Recognition of restricted stock compensation expense	—	2,441	—	—	—	2,441
Balance at December 31, 2019	**$ 103,623**	**$ 399,944**	**$ 761,083**	**$ (11,670)**	**$ (60,982)**	**$ 1,191,998**
Net income for 2020	—	—	21,040	—	—	21,040
Other comprehensive income, net of tax	—	—	—	20,641	—	20,641
Impact of adoption of CECL	—	—	(22,590)	—		(22,590)
Cash dividends declared ($1.12 per share)	—	—	(43,949)	—	—	(43,949)
Treasury stock repurchased (411,430 shares)	—	—	—	—	(12,559)	(12,559)
Treasury stock issued (149,133 shares, net)	—	—	(5,523)	—	4,929	(594)
Recognition of restricted stock compensation expense	—	724	—	—	—	724
Balance at December 31, 2020	**$ 103,623**	**$ 400,668**	**$ 710,061**	**$ 8,971**	**$ (68,612)**	**$ 1,154,711**
Net income for 2021	—	—	110,343	—	—	110,343
Other comprehensive loss, net of tax	—	—	—	(16,061)	—	(16,061)
Cash dividends declared ($1.13 per share)	—	—	(44,336)	—	—	(44,336)
Treasury stock repurchased (no shares)	—	—	—	—	—	—
Treasury stock issued (53,187 shares, net)	—	—	(2,409)	—	1,779	(630)
Recognition of restricted stock compensation expense	—	2,427	—	—	—	2,427
Balance at December 31, 2021	**$ 103,623**	**$ 403,095**	**$ 773,659**	**$ (7,090)**	**$ (66,833)**	**$ 1,206,454**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
S&T Bancorp, Inc. and Subsidiaries

	Years ended December 31,		
(dollars in thousands)	**2021**	**2020**	**2019**
OPERATING ACTIVITIES			
Net Income	$ 110,343	$ 21,040	$ 98,234
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	16,215	131,424	14,873
Provision for unfunded loan commitments	—	—	436
Depreciation and amortization	11,480	12,066	11,724
Net amortization of discounts and premiums	5,482	4,205	3,243
Stock-based compensation expense	2,427	724	2,441
Securities (gains) losses	(29)	(142)	26
Deferred income taxes	2,383	(4,402)	(381)
Loss (gain) on sale of fixed assets	30	(23)	37
Gain on the sale of loans, net	(8,856)	(8,998)	(1,887)
Pension contribution	—	(115)	—
Net change in:			
Mortgage loans originated for sale	(286,257)	(361,704)	(109,624)
Proceeds from sale of mortgage loans	311,479	357,613	109,082
Net decrease (increase) in interest receivable	3,561	(2,560)	(3,768)
Net decrease in interest payable	(2,087)	(3,178)	(2,223)
Net decrease (increase) in other assets	85,509	(142,891)	(8,286)
Net (decrease) increase in other liabilities	(35,569)	50,392	24,496
Net Cash Provided by Operating Activities	**216,111**	**53,451**	**138,423**
INVESTING ACTIVITIES			
Purchases of securities available-for-sale	(313,617)	(178,389)	(129,973)
Proceeds from maturities, prepayments and calls of securities available-for-sale	144,905	205,606	92,412
Proceeds from sales of securities available-for-sale	1,917	1,349	59,934
Purchases of Federal Home Loan Bank stock	(22,515)	(33,755)	(61,852)
Proceeds from redemption of Federal Home Loan Bank stock	26,026	43,702	68,467
Net decrease (increase) in loans	173,401	(194,768)	(298,741)
Proceeds from the sale of loans not originated for resale	5,107	547	520
Purchases of premises and equipment	(3,611)	(5,416)	(5,153)
Proceeds from the sale of premises and equipment	14	23	71
Net cash acquired from bank acquisitions	—	—	63,759
Proceeds from settlement of bank owned life insurance	353	—	—
Net Cash Provided by (Used in) Investing Activities	**11,980**	**(161,101)**	**(210,556)**
FINANCING ACTIVITIES			
Net increase in core deposits	875,378	591,932	423,203
Net decrease in certificates of deposit	(299,292)	(207,106)	(27,632)
Net increase in securities sold under repurchase agreements	19,328	45,275	1,505
Net decrease in short-term borrowings	(75,000)	(206,319)	(200,000)
Proceeds from long-term borrowings	—	—	10,000
Repayments of long-term borrowings	(11,001)	(27,187)	(35,936)
Treasury shares issued - net	(630)	(594)	(915)
Repurchase common stock	—	(12,559)	(18,222)
Costs to issue equity securities	—	—	(176)
Cash dividends paid to common shareholders	(44,325)	(43,949)	(37,360)
Net Cash Provided by Financing Activities	**464,458**	**139,493**	**114,467**
Net increase in cash and cash equivalents	692,549	31,843	42,334
Cash and cash equivalents at beginning of year	229,666	197,823	155,489
Cash and Cash Equivalents at End of Year	**$ 922,215**	**$ 229,666**	**$ 197,823**

STATEMENTS OF CASH FLOWS
S&T Bancorp, Inc. and Subsidiaries

	Years ended December 31,		
(dollars in thousands)	2021	2020	2019
Supplemental Disclosures			
Interest paid	$ 15,236	$ 44,353	$ 75,278
Income taxes paid, net of refunds	$ 24,213	$ 6,231	$ 14,663
Loans transferred to held for sale	$ 4,467	$ 640	$ 456
Leased right-of-use operating assets and lease liabilities added to Balance Sheet	$ 2,987	$ 91	$ 49,490
Net assets (liabilities) from acquisitions, excluding cash and cash equivalents	$ —	$ —	$ 43,637
Transfers to other real estate owned and other repossessed assets	$ 12,392	$ 631	$ 2,592

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
S&T Bancorp, Inc. and Subsidiaries

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

S&T Bancorp, Inc., or S&T, was incorporated on March 17, 1983 under the laws of the Commonwealth of Pennsylvania as a bank holding company and has five active direct wholly owned subsidiaries, S&T Bank, 9th Street Holdings, Inc., STBA Capital Trust I, DNB Capital Trust I and DNB Capital Trust II. DNB Capital Trust I and DNB Capital Trust II were acquired with the DNB merger on November 30, 2019. We own a 50 percent interest in Commonwealth Trust Credit Life Insurance Company, or CTCLIC.

We are presently engaged in non-banking activities through the following six entities: 9th Street Holdings, Inc.; S&T Bancholdings, Inc.; CTCLIC; S&T Insurance Group, LLC; Stewart Capital Advisors, LLC; DN Acquisition, Inc. 9th Street Holdings, Inc. and S&T Bancholdings, Inc. are investment holding companies. CTCLIC, which is a joint venture with another financial institution, acts as a reinsurer of credit life, accident and health insurance policies sold by S&T Bank and the other institution. S&T Insurance Group, LLC, through its subsidiaries, offers a variety of insurance products. Stewart Capital Advisors, LLC is a registered investment advisor that manages private investment accounts for individuals and institutions. DN Acquisition Company, Inc. was acquired with the DNB merger and was incorporated for the purpose of acquiring and holding Other Real Estate Owned acquired through foreclosure or deed in-lieu-of foreclosure, as well as Bank-occupied real estate.

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. The transaction was valued at $201.0 million and added total assets of $1.1 billion, including $909.0 million in loans, $84.2 million in goodwill and $967.3 million in deposits.

Accounting Policies

Our financial statements have been prepared in accordance with GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the dates of the balance sheets and revenues and expenses for the periods then ended. Actual results could differ from those estimates. Our significant accounting policies are described below.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of 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.

Reclassification

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

Business Combinations

We account for business combinations using the acquisition method of accounting. All identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree are recognized and measured as of the acquisition date at fair value. We record goodwill for the excess of the purchase price over the fair value of net assets acquired. Results of operations of the acquired entities are included in the Consolidated Statement of Net Income from the date of acquisition.

Acquired loans are recorded at fair value on the date of acquisition with no carryover of the related allowance for credit losses, or ACL. Determining the fair value of acquired loans involves estimating the principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. In estimating the fair value of our acquired loans, we considered a number of factors including loss rates, internal risk rating, delinquency status, loan type, loan term, prepayment rates, recovery periods and the current interest rate environment. The premium or discount estimated through the loan fair value calculation is recognized into interest income on a level yield basis over the remaining life of the loans.

Acquired loans, including those acquired in a business combination, are evaluated to determine if they have experienced more-than-insignificant deterioration in credit quality since origination. When the condition exists, these loans are referred to as purchased credit deteriorated, or PCD. An allowance is recognized for a PCD loan by adding it to the purchase price or fair value in a business combination. There is no provision for credit losses, or PCL, recognized upon acquisition of a PCD loan since the initial allowance is established through the purchase accounting. After initial recognition, the accounting for a PCD

loan follows the credit loss model that applies to that type of asset. Purchased financial loans that do not have a more-than-significant deterioration in credit quality since origination are accounted for in a manner consistent with originated loans. An ACL is recorded with a corresponding charge to PCL. Subsequent to the acquisition date, the methods utilized to estimate the required ACL for these loans is similar to the method used for originated loans.

Prior to the adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, the methods utilized to estimate the required allowance for loan losses, or ALL for acquired loans was similar to the method used for originated loans; however, we recorded a provision for credit losses only when the required allowance exceeded the remaining fair value adjustment. Acquired loans were considered impaired if there was evidence of credit deterioration since origination and if it was probable at time of acquisition that all contractually required payments would not be collected.

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, individually assessed loans, other real estate owned, or 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 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

Debt Securities Available-for-Sale

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 fair value of U.S. treasury securities are based on quoted market prices in active markets and are classified as Level 1. The market valuation sources for other 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 and extensive quality control programs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Equity Securities

Marketable equity securities with quoted prices in active markets for identical assets are classified as Level 1. Marketable equity securities in markets that are not active and are based on other observable information for comparable assets are classified as Level 2.

Securities Held in a Deferred Compensation Plan

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 other noninterest income in our Consolidated Statements of Net 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 forward commitments related to 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. 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. Interest rate swaps for commercial loans are classified as Level 2. Interest rate lock commitments and forward commitments related to mortgage loans are classified as Level 3 due to significant unobservable inputs.

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 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 marked to fair value are classified as Level 3.

Loans Individually Evaluated

Loans that are individually evaluated to determine whether a specific allocation of ACL is needed are reported at the lower of amortized cost or 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 individually evaluated that are market to 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. OREO and other repossessed assets are reported in other assets in the Consolidated Balance Sheets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Mortgage Servicing Rights

MSRs are reported pursuant to the amortization method are evaluated for impairment quarterly by comparing the carrying value to the fair value of the MSRs. 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. The valuation model includes significant unobservable inputs; therefore, MSRs are classified as Level 3. MSRs are reported in other assets in the Consolidated Balance Sheets and are amortized into mortgage banking in noninterest income in the Consolidated Statements of Net Income.

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 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

Our methodology to fair value loans includes an exit price notion. 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.

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

Collateral receivable is cash that is made available to counterparties as collateral for our interest rate swaps. The carrying amount included in other assets on our Consolidated Balance Sheets approximates fair value.

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.

Cash and Cash Equivalents

We consider cash and due from banks, interest-bearing deposits with banks and federal funds sold as cash and cash equivalents.

Securities

We determine the appropriate classification of securities at the time of purchase. Debt securities are classified as available-for-sale with the intent to hold for an indefinite period of time, but may be sold in response to changes in interest rates, prepayment risk, liquidity needs or other factors.

A determination will be made on whether a decline in the fair value below the amortized cost basis is due to credit-related factors or noncredit-related factors. Any impairment that is not credit related is recognized in Other Comprehensive Income, or OCI, net of applicable taxes. Credit-related impairment is recognized as an ACL on the balance sheet with a corresponding adjustment to provision for credit losses in the Consolidated Statements of Net Income. Both the allowance and the adjustment to net income can be reversed if conditions change. Our policy for credit impairment within the debt securities portfolio is based upon a number of factors, including but not limited to, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of the security’s ability to recover any decline in its estimated fair value and whether management intends to sell the security or if it is more likely than not that management will be required to sell the investment security prior to the security’s recovery of any decline in its estimated fair value.

Realized gains and losses on the sale of these securities are determined using the specific-identification method and are recorded within noninterest income in the Consolidated Statements of Net Income. Bond premiums are amortized to the call date and bond discounts are accreted to the maturity date, both on a level yield basis.

Equity securities are measured at fair value with net unrealized gains and losses recognized in other noninterest income in the Consolidated Statements of Net Income.

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 transferred from the loan portfolio to loans held for sale, all of which are carried at the lower of cost or fair value. If a loan is transferred from the loan portfolio to the held for sale category, any write-down in the carrying amount of the loan at the date of transfer is recorded as a charge-off against the ACL. Subsequent declines in fair value are recognized as a charge to other noninterest income. When a loan is placed in the held for sale category, we stop amortizing the related deferred fees and costs. The remaining unamortized fees and costs are recognized as part of the cost basis of the loan at the time it is sold. Gains and losses on sales of mortgage loans held for sale are included in mortgage banking in noninterest income in the Consolidated Statements of Net Income.

Loans

Loans are reported at the principal amount outstanding net of unearned income, unamortized premiums or discounts and deferred origination fees and costs. We defer certain nonrefundable loan origination and commitment fees. Accretion of discounts and amortization of premiums on loans are included in interest income in the Consolidated Statements of Net Income. Loan origination fees and direct loan origination costs are deferred and amortized as an adjustment of loan yield over the respective lives of the loans without consideration of anticipated prepayments. If a loan is paid off, the remaining unaccreted or unamortized net origination fees and costs are immediately recognized into income or expense. Interest is accrued and interest income is recognized on loans as earned.

Acquired loans are recorded at fair value on the date of acquisition with no carryover of the related ACL. Determining the fair value of the acquired loans involves estimating the principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. In estimating the fair value of our acquired loans, we consider a number of factors including the loan term, internal risk rating, delinquency status, prepayment rates, recovery periods, estimated

value of the underlying collateral and the current interest rate environment.

Closed-end installment loans, amortizing loans secured by real estate and any other loans with payments scheduled monthly are reported past due when the borrower is in arrears two or more monthly payments. Other multi-payment obligations with payments scheduled other than monthly are reported past due when one scheduled payment is due and unpaid for 30 days or more.

Generally, consumer loans are charged off against the ACL upon the loan reaching 90 days past due. Commercial loans are charged off as management becomes aware of facts and circumstances that raise doubt as to the collectability of all or a portion of the principal and when we believe a confirmed loss exists.

Nonaccrual or Nonperforming Loans

We stop accruing interest on a loan when the borrower’s payment is 90 days past due. Loans are also placed on nonaccrual status when we have doubt about the borrower’s ability to comply with contractual repayment terms, even if payment is not past due. When the interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. As a general rule, a nonaccrual loan may be restored to accrual status when its principal and interest is paid current and the bank expects repayment of the remaining contractual principal and interest, or when the loan otherwise becomes well secured and in the process of collection.

Troubled Debt Restructurings

Troubled debt restructurings, or TDRs, are loans where we, for economic or legal reasons related to a borrower’s financial difficulties, grant a concession to the borrower. We strive to identify borrowers with financial difficulty early and work with them to come to a mutual resolution to modify the terms of their loan before the loan reaches nonaccrual status. These modified terms generally include extensions of maturity dates at a stated interest rate lower than the current market rate for a new loan with similar risk characteristics, reductions in contractual interest rates or principal deferment. While unusual, there may be instances of principal forgiveness. These modifications are generally for longer term periods that would not be considered insignificant. Additionally, we classify loans where the debt obligation has been discharged through a Chapter 7 Bankruptcy and not reaffirmed as TDRs.

We individually evaluate all substandard 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 TDRs.

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.

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. Our quantitative model uses historic data back to the second quarter of 2009. 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 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,

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

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, other external factors and segment specific risks. 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 $1.0 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 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.

Our ACL Committee meets quarterly to verify the overall appropriateness of the ACL. Additionally, on an annual basis, the ACL Committee meets to validate our ACL methodology. This validation includes reviewing the loan segmentation, critical model assumptions, forecast and the qualitative framework. As a result of this ongoing monitoring process, we may make changes to our ACL to be responsive to the economic environment.

Allowance for Loan Losses

Prior to the adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, we calculated our ALL using an incurred loan loss methodology. Refer to our Annual Report on Form 10-K for the year ended December 31, 2020 for our Allowance for Loan Losses policy.

Bank Owned Life Insurance

We have purchased life insurance policies on certain executive officers and employees. We receive the cash surrender value of each policy upon its termination or benefits are payable to us upon the death of the insured. Changes in net cash surrender value are recognized in noninterest income in the Consolidated Statements of Net Income.

Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred, while improvements that extend an asset's useful life are capitalized and depreciated over the estimated remaining life of the asset. Depreciation expense is computed by the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the particular assets. Depreciation expense is included in occupancy on the Consolidated Statements of Net Income. Management reviews long-lived assets using events and circumstances to determine if and when an asset is evaluated for recoverability.

The estimated useful lives for the various asset categories are as follows:

1)	Land and Land Improvements	Non-depreciating assets
2)	Buildings	25 years
3)	Furniture and Fixtures	5 years
4)	Computer Equipment and Software	5 years or term of license
5)	Other Equipment	5 years
6)	Vehicles	5 years
7)	Leasehold Improvements	Lesser of estimated useful life of the asset (generally 15 years unless established otherwise) or the remaining term of the lease, including renewal options in the lease that are reasonably assured of exercise

Right-of-Use Assets and Lease Liabilities

We determine if a contract is or contains a lease at inception. Leases are classified as either finance or operating leases. We recognize leases on our Consolidated Balance Sheets as right-of-use, or ROU, assets and related lease liabilities. Finance ROU assets are included in property and equipment and related finance lease liabilities are included in long-term borrowings.

Operating lease ROU assets are included in other assets and related operating lease liabilities are included in other liabilities. Our lease liability is calculated as the present value of the lease payments over the lease term discounted using our estimated incremental borrowing rate with similar terms at commencement date. Lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases. Interest and amortization expenses are recognized for finance leases over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the lease term in occupancy on our Consolidated Statements of Net Income. Refer to Note 10 Right-of-Use Assets and Lease Liabilities for more details.

Restricted Investment in Bank Stock

FHLB stock is carried at cost and evaluated for impairment based on the ultimate recoverability of the par value. We hold FHLB stock because we are a member of the FHLB of Pittsburgh. The FHLB requires members to purchase and hold a specified level of FHLB stock based upon on the member's asset value, level of borrowings and participation in other programs offered. Stock in the FHLB is non-marketable and is redeemable at the discretion of the FHLB. Members do not purchase stock in the FHLB for the same reasons that traditional equity investors acquire stock in an investor-owned enterprise. Rather, members purchase stock to obtain access to the low-cost products and services offered by the FHLB. Unlike equity securities of traditional for-profit enterprises, the stock of the FHLB does not provide its holders with an opportunity for capital appreciation because, by regulation, FHLB stock can only be purchased, redeemed and transferred at par value. Both cash and stock dividends are reported as income in taxable investment securities in the Consolidated Statements of Net Income. FHLB stock is evaluated for impairment when events and circumstance indicate that impairment could exist.

Atlantic Community Bankers' Bank, or ACBB, stock is carried at cost and evaluated for impairment based on the ultimate recoverability of the carrying value. We do not currently use their membership products and services. We acquired ACBB stock through various mergers of banks that were ACBB members. ACBB stock is evaluated for impairment when events and circumstance indicate that impairment could exist.

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 events and circumstances indicate that it may be impaired. 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.

Determining the fair value of a reporting unit is judgmental and involves the use of significant estimates and assumptions. The fair value of the reporting unit is determined by using both a discounted cash flow model and a market based model. The discounted cash flow model has many assumptions including future earnings projections, a long-term growth rate and discount rate. The market based model calculates fair value based on observed price multiples for similar companies. The fair values of each method are then weighted based on relevance and reliability in the current economic environment.

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, 2021 and 2020.

Variable Interest Entities

Variable interest entities, or VIEs, are legal entities that generally either do not have equity investors with voting rights or that have equity investors that do not provide sufficient financial resources for the entity to support its activities. When an enterprise has both the power to direct the economic activities of the VIE and the obligation to absorb losses of the VIE or the right to receive benefits of the VIE, the entity has a controlling financial interest in the VIE. A VIE often holds financial assets, including loans, receivables or other property. The company with a controlling financial interest, the primary beneficiary, is required to consolidate the VIE into its Consolidated Balance Sheets. S&T has three wholly-owned trust subsidiaries, STBA Capital Trust I, DNB Capital Trust I and DNB Capital Trust II, or the Trusts, for which it does not absorb a majority of expected losses or receive a majority of the expected residual returns. The DNB Capital Trust I and DNB Capital Trust II were acquired with the DNB merger. At inception, these Trusts issued floating rate trust preferred securities to the Trustees and used the proceeds from the sale to invest in junior subordinated debt securities issued by us. The Trusts pay dividends on the trust preferred securities at the same rate as the interest we pay on the junior subordinated debt held by the Trusts. The Trusts are VIEs with the third-party investors as their primary beneficiaries, and accordingly, the Trusts and their net assets are not included in our Consolidated Financial Statements. However, the junior subordinated debt securities issued by S&T are included in our Consolidated Balance Sheets.

Joint Ventures

We have made investments directly in Low Income Housing Tax Credit, or LIHTC, partnerships formed with third parties. As a limited partner in these operating partnerships, we receive tax credits and tax deductions for losses incurred by the underlying properties. These investments are amortized over a maximum of 10 years, which represents the period over which the tax credits will be utilized. Our investments in Low Income Housing Partnerships, or 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 the economic performance of the partnership and have both the obligation to absorb expected losses and the right to receive benefits. We use the cost method to account for these partnerships. These investments are recorded in other assets on our balance sheet. Amortization expense is included in other noninterest expense in the Consolidated Statements of Net Income.

OREO and Other Repossessed Assets

OREO and other repossessed assets are included in other assets in the Consolidated Balance Sheets and are comprised of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of a foreclosure. At the time of foreclosure or acceptance of a deed in lieu of foreclosure, these properties are recorded at the lower of the recorded investment in the loan or fair value less cost to sell. Loan losses arising from the acquisition of any such property initially are charged against the ACL. Subsequently, these assets are carried at the lower of carrying value or current fair value less cost to sell. Gains or losses realized upon disposition of these assets are recorded in other noninterest income or expenses in the Consolidated Statements of Net Income.

Mortgage Servicing Rights

Mortgage servicing rights, or MSRs, are recognized as separate assets when a mortgage loan is sold. MSRs represents the estimated fair value of future net cash flows expected to be realized for performing the servicing activities. The fair value of the MSRs is estimated 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. Increases in mortgage loan prepayments reduce estimated future net servicing cash flows because the life of the underlying loan is reduced. MSRs are reported in other assets in the Consolidated Balance Sheets and are amortized into mortgage banking in noninterest income in the Consolidated Statements of Net Income in proportion to, and over the period of, the estimated future net servicing income of the underlying mortgage loans.

MSRs are regularly evaluated for impairment based on the estimated fair value of those rights. MSRs are stratified by certain risk characteristics, primarily loan term and note rate. If temporary impairment exists within a risk stratification tranche, a valuation allowance is established through a charge to income equal to the amount by which the carrying value exceeds the estimated fair value. If it is later determined that all or a portion of the temporary impairment no longer exists for a particular tranche, the valuation allowance is reduced.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Derivative Financial Instruments

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 in accordance with our credit policy. 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 Net 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 Net Income.

Allowance for Unfunded 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. The allowance for unfunded commitments is determined using a similar methodology as our ACL methodology except that we apply a probability to fund assumption. The allowance for unfunded commitments is included in other liabilities in the Consolidated Balance Sheets. The reserve is calculated by applying historical loss rates and qualitative adjustments to our unfunded commitments. The provision for unfunded commitments is included in the provision for credit losses on the Consolidated Statements of Net Income.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Treasury Stock

The repurchase of our common stock is recorded at cost. At the time of reissuance, the treasury stock account is reduced using the average cost method. Gains and losses on the reissuance of common stock are recorded in additional paid-in capital, to the extent additional paid-in capital from previous treasury share transactions exists. Any deficiency is charged to retained earnings.

Revenue Recognition - 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 and fee revenue is recognized when the services are provided or the transaction is settled.

Wealth Management Fees

Assets held in a fiduciary capacity by our subsidiary bank, S&T Bank, are not our assets and are therefore not included in our Consolidated Financial Statements. Wealth management fee income is reported in the Consolidated Statements of Net Income on an accrual basis.

Stock-Based Compensation

Stock-based compensation includes restricted stock which is measured using the fair value method of accounting. The grant date fair value is recognized over the period during which the recipient is required to provide service in exchange for the award. Compensation expense for time-based restricted stock is recognized ratably over the period of service, generally the entire vesting period, based on fair value on the grant date. Compensation expense for performance-based restricted stock is recognized ratably over the remaining vesting period once the likelihood of meeting the performance measure is probable, based on the fair value on the grant date. We estimate expected forfeitures when stock-based awards are granted and record compensation expense only for awards that are expected to vest.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Pensions

The expense for S&T Bank’s qualified and nonqualified defined benefit pension plans is actuarially determined using the projected unit credit actuarial cost method. It requires us to make economic assumptions regarding future interest rates and asset returns and various demographic assumptions. We estimate the discount rate used to measure benefit obligations by applying the projected cash flow for future benefit payments to a yield curve of high-quality corporate bonds available in the marketplace and by employing a model that matches bonds to our pension cash flows. The expected return on plan assets is an estimate of the long-term rate of return on plan assets, which is determined based on the current asset mix and estimates of return by asset class. We recognize in the Consolidated Balance Sheets an asset for the plan’s overfunded status or a liability for the plan’s underfunded status. Gains or losses related to changes in benefit obligations or plan assets resulting from experience different from that assumed are recognized as other comprehensive income (loss) in the period in which they occur. To the extent that such gains or losses exceed 10 percent of the greater of the projected benefit obligation or plan assets, they are recognized as a component of pension costs over the future service periods of actively employed plan participants. The funding policy for the qualified plan is to contribute an amount each year that is at least equal to the minimum required contribution, but not more than the maximum amount permissible for taxable plan sponsors. Our nonqualified plans are unfunded.

On January 25, 2016, the Board of Directors approved an amendment to freeze benefit accruals under the qualified and nonqualified defined benefit pension plans effective March 31, 2016. As a result, no additional benefits are earned by participants in those plans based on service or pay after March 31, 2016. The plan was previously closed to new participants effective December 31, 2007.

Marketing Costs

We expense all marketing-related costs, including advertising costs, as incurred.

Income Taxes

We estimate income tax expense based on amounts expected to be owed to the tax jurisdictions where we conduct business. On a quarterly basis, management assesses the reasonableness of our effective tax rate based upon our current estimate of the amount and components of net income, tax credits and the applicable statutory tax rates expected for the full year. We classify interest and penalties as an element of tax expense.

Deferred income tax assets and liabilities are determined using the asset and liability method and are reported in other assets or other liabilities, as appropriate, in the Consolidated Balance Sheets. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities and recognizes enacted changes in tax rate and laws. When deferred tax assets are recognized, they are subject to a valuation allowance based on management’s judgment as to whether realization is more likely than not.

Accrued taxes represent the net estimated amount due to taxing jurisdictions and are reported in other assets or other liabilities, as appropriate, in the Consolidated Balance Sheets. We evaluate and assess the relative risks and appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other information and maintain tax accruals consistent with the evaluation of these relative risks and merits. Changes to the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by taxing authorities and changes to statutory, judicial and regulatory guidance. These changes, when they occur, can affect deferred taxes, accrued taxes, and the current period’s income tax expense and can be significant to our operating results.

Tax positions are recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

Earnings Per Share

Basic earnings per share, or EPS, is calculated using the two-class method to determine income allocated to common shareholders. Unvested share-based payment awards that contain nonforfeitable rights to dividends are considered participating securities under the two-class method. Income allocated to common shareholders is then divided by the weighted average number of common shares outstanding during the period. Potentially dilutive securities are excluded from the basic EPS calculation.

Diluted EPS is calculated under the more dilutive of either the treasury stock method or the two-class method. Under the treasury stock method, the weighted average number of common shares outstanding is increased by the potentially dilutive common shares. For the two-class method, diluted EPS is calculated for each class of shareholders using the weighted average number of shares attributed to each class. Potentially dilutive common shares are related to restricted stock.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- continued

Recently Adopted Accounting Standards Updates, or ASU or Update

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 simplify the accounting for income taxes by removing certain exceptions and improve the consistent application of GAAP by clarifying and amending other existing guidance. We adopted this ASU on January 1, 2021. The amendments in this ASU did not impact our Consolidated Financial Statements.

Accounting Standards Issued But Not Yet Adopted

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 have established a committee to guide our transition from LIBOR and have begun efforts to transition to alternative rates consistent with industry timelines. We have identified products that utilize LIBOR and are revising fallback language to facilitate the transition to alternative reference rates. ASU 2020-04 is not expected to have a material impact on our Consolidated Financial Statements.

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 December 31, 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 as of November 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 accounting for the acquisition was finalized on November 30, 2020.

NOTE 2. BUSINESS COMBINATIONS - continued

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

	November 30, 2019			November 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	(116)	20,489
Total Assets Acquired	1,137,088	(16,753)	1,120,335	(2,182)	1,118,153
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	$ (1,803)	$ 105,953
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	$ (1,803)	$ 115,013
Consideration Paid					
Cash			$ 360	$ —	$ 360
Common stock			200,631	—	200,631
Fair Value of Total Consideration			$ 200,991	$ —	$ 200,991
Goodwill			$ 84,175	$ 1,803	$ 85,978

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 measurement period ended November 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 December 31, 2020, direct costs related to the DNB merger of $13.7 million were recognized and expensed as incurred. During the year ended December 31, 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 PER SHARE

Earnings per share is calculated using both the two-class and the treasury stock methods with the more dilutive method used to determine reported basic and diluted earnings per share. The two-class method was more dilutive in 2021, 2020 and 2019 and was used to determine reported earnings per share. The following table reconciles the numerators and denominators of basic and diluted EPS:

	Years ended December 31,		
(dollars in thousands, except share and per share data)	**2021**	**2020**	**2019**
Numerators for Earnings per Common Share—Basic and Diluted:			
Net income	$ 110,343	$ 21,040	$ 98,234
Less: Income allocated to participating shares	492	68	260
Net Income Allocated to Common Shareholders	**$ 109,851**	**$ 20,972**	**$ 97,974**
Denominators:			
Weighted Average Common Shares Outstanding—Basic	**39,050,241**	**39,070,439**	**34,628,191**
Add: Average participating shares outstanding	2,720	2,780	51,287
Denominator for Diluted	**39,052,961**	**39,073,219**	**34,679,478**
Earnings per common share—basic	$ 2.81	$ 0.54	$ 2.84
Earnings per common share—diluted	$ 2.81	$ 0.53	$ 2.82
Restricted stock considered anti-dilutive excluded from dilutive potential common shares	793	1,242	12,686

NOTE 4. FAIR VALUE MEASUREMENTS

The following tables present our assets and liabilities that are measured at fair value on a recurring basis by fair value hierarchy level at December 31, 2021 and 2020. Interest rate lock commitments to borrowers were transferred from Level 2 to Level 3 during the year ended December 31, 2020 due to pull-through factors being a significant unobservable input.

	December 31, 2021			
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Debt securities available-for-sale:				
U.S. Treasury securities	$ 95,327	$ —	$ —	$ 95,327
Obligations of U.S. government corporations and agencies	—	70,348	—	70,348
Collateralized mortgage obligations of U.S. government corporations and agencies	—	270,294	—	270,294
Residential mortgage-backed securities of U.S. government corporations and agencies	—	56,793	—	56,793
Commercial mortgage-backed securities of U.S. government corporations and agencies	—	341,300	—	341,300
Corporate obligations	—	500	—	500
Obligations of states and political subdivisions	—	75,089	—	75,089
Total Debt Securities Available-for-Sale	**95,327**	**814,324**	**—**	**909,651**
Marketable equity securities	1,061	81	—	1,142
Total Securities	**96,388**	**814,405**	**—**	**910,793**
Securities held in a deferred compensation plan	10,230	—	—	10,230
Derivative financial assets:				
Interest rate swaps	—	33,528	—	33,528
Interest rate lock commitments	—	—	401	401
Forward sale contracts	—	—	4	4
Total Assets	**$ 106,618**	**$ 847,933**	**$ 405**	**$ 954,956**
LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	$ —	$ 33,631	$ —	$ 33,631
Total Liabilities	**$ —**	**$ 33,631**	**$ —**	**$ 33,631**

NOTE 4. FAIR VALUE MEASUREMENTS -- continued

(dollars in thousands)	December 31, 2020			
	Level 1	Level 2	Level 3	Total
ASSETS				
Debt securities available-for-sale:				
U.S. Treasury securities	$ 10,282	$ —	$ —	$ 10,282
Obligations of U.S. government corporations and agencies	—	82,904	—	82,904
Collateralized mortgage obligations of U.S. government corporations and agencies	—	209,296	—	209,296
Residential mortgage-backed securities of U.S. government corporations and agencies	—	67,778	—	67,778
Commercial mortgage-backed securities of U.S. government corporations and agencies	—	273,681	—	273,681
Corporate obligations	—	2,025	—	2,025
Obligations of states and political subdivisions	—	124,427	—	124,427
Total Debt Securities Available-for-Sale	**10,282**	**760,111**	**—**	**770,393**
Marketable equity securities	3,228	72	—	3,300
Total Securities	**13,510**	**760,183**	**—**	**773,693**
Securities held in a deferred compensation plan	6,794	—	—	6,794
Derivative financial assets:				
Interest rate swaps	—	78,319	—	78,319
Interest rate lock commitments	—	—	2,900	2,900
Total Assets	**$ 20,304**	**$ 838,502**	**$ 2,900**	**$ 861,706**
LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	$ —	$ 79,033	$ —	$ 79,033
Forward sale contracts	—	385	—	385
Total Liabilities	**$ —**	**$ 79,418**	**$ —**	**$ 79,418**

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 December 31, 2021 or December 31, 2020.

For Level 3 assets measured at fair value on a nonrecurring basis at December 31, 2021 and 2020, the significant unobservable inputs used in the fair value measurements were as follows:

(dollars in thousands)	**December 31, 2021**	**Valuation Technique**	**Significant Unobservable Inputs**	**Range**	**Weighted Average** [(1)(2)]
Loans individually evaluated	$ 16,004	Collateral method	Appraisal adjustment	0% - 20%	4.48%
		Discounted cash flow method	Discount rate	10% 19%	10.46%
Other real estate owned	1,011	Collateral method	Appraisal adjustment	2.53%	2.53%
Mortgage servicing rights	—	Discounted cash flow method	NA	NA	NA
Loans held for sale	—	Collateral method	NA	NA	NA
Total Assets	**$ 17,015**				

[(1)] *Weighted averages for loans individually evaluated were weighted by loan amounts.*
[(2)] *Weighted averages for other real estate owned were weighted by OREO balances.*

NOTE 4. FAIR VALUE MEASUREMENTS -- continued

(dollars in thousands)	December 31, 2020	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average [1] [2] [3]
Loans individually evaluated	$ 64,286	Collateral method	Appraisal adjustment	0% - 12%	7.70%
		Discounted cash flow method	Discount rate	—% - —%	—%
Other real estate owned	600	Collateral method	Appraisal adjustment	21.80%	21.80%
Mortgage servicing rights	4,976	Discounted cash flow method	Discount rate	9.24% - 12.55%	9.42%
			Constant prepayment rates	8.82% - 14.58%	13.37%
Loans held for sale	586	Collateral method	NA	NA	NA
Total Assets	**$ 70,448**				

[1] *Weighted averages for loans individually evaluated 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 were weighted based on note rate tranches.*

The carrying values and fair values of our financial instruments at December 31, 2021 and 2020 are presented in the following tables:

		Fair Value Measurements at December 31, 2021			
(dollars in thousands)	Carrying Value[1]	Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	$ 922,215	$ 922,215	$ 922,215	$ —	$ —
Securities	910,793	910,793	96,388	814,405	—
Loans held for sale	1,522	1,522	—	—	1,522
Portfolio loans, net	6,901,414	6,815,468	—	—	6,815,468
Collateral receivable	37,363	37,363	37,363	—	—
Securities held in a deferred compensation plan	10,230	10,230	10,230	—	—
Mortgage servicing rights	7,677	7,677	—	—	7,677
Interest rate swaps	33,528	33,528	—	33,528	—
Interest rate lock commitments	401	401	—	—	401
Forward sale contracts	4	4	—	—	4
LIABILITIES					
Deposits	$ 7,996,524	$ 7,992,942	$ 6,908,453	$ 1,084,489	—
Securities sold under repurchase agreements	84,491	84,491	84,491	—	—
Short-term borrowings	—	—	—	—	—
Long-term borrowings	22,430	22,678	4,300	18,378	—
Junior subordinated debt securities	54,393	54,393	54,393	—	—
Interest rate swaps	33,631	33,631	—	33,631	—

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

NOTE 4. FAIR VALUE MEASUREMENTS -- continued

(dollars in thousands)	Carrying Value[(1)]	Fair Value Measurements at December 31, 2020			
		Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	$ 229,666	$ 229,666	$ 229,666	$ —	$ —
Securities	773,693	773,693	13,510	760,183	—
Loans held for sale	18,528	18,528	—	—	18,528
Portfolio loans, net	7,108,248	7,028,446	—	—	7,028,446
Securities held in a deferred compensation plan	77,936	77,936	77,936	—	—
Mortgage servicing rights	6,794	6,794	6,794	—	—
Interest rate swaps	4,976	4,976	—	—	4,976
Interest rate lock commitments	78,319	78,319	—	78,319	—
Forward sale contracts	2,900	2,900	—	—	2,900
LIABILITIES					
Deposits	$ 7,420,538	$ 7,422,894	$ 6,033,075	$ 1,389,819	$ —
Securities sold under repurchase agreements	65,163	65,163	65,163	—	—
Short-term borrowings	75,000	75,000	75,000	—	—
Long-term borrowings	23,681	24,545	4,494	20,051	—
Junior subordinated debt securities	64,083	64,083	64,083	—	—
Interest rate swaps	79,033	79,033	—	79,033	—
Forward sale contracts	385	385	—	385	—

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

NOTE 5. RESTRICTIONS ON CASH AND DUE FROM BANK ACCOUNTS

The Board of Governors of the Federal Reserve System, or the Federal Reserve, imposes certain reserve requirements on all depository institutions. These reserves are maintained in the form of vault cash or as an interest-bearing balance with the Federal Reserve. The required reserves averaged $0.0 million for 2021, $15.5 million for 2020 and $43.9 million for 2019. The decrease in the required reserve average from 2020 to 2021 was due to the Federal Reserve reducing the reserve requirement ratio to zero percent effective March 26, 2020.

NOTE 6. DIVIDEND AND LOAN RESTRICTIONS

S&T is a legal entity separate and distinct from its banking and other subsidiaries. A substantial portion of our revenues consist of dividend payments we receive from S&T Bank. S&T Bank, in turn, is subject to state laws and regulations that limit the amount of dividends it can pay to us. In addition, both S&T and S&T Bank are subject to various general regulatory policies relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The Federal Reserve has indicated that banking organizations should generally pay dividends only if (i) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality and overall financial condition. In connection with our reduced net income in 2020 and our inability to fully fund the dividend from earnings over the prior year, due in substantial part to the customer fraud that occurred in the second quarter of 2020, we received non-objection letters from the Federal Reserve to continue to pay our dividends declared in the third and fourth quarter of 2020 and the first and second quarter of 2021. Thus, under certain circumstances based upon our financial condition, our ability to declare and pay quarterly dividends may require consultation with the Federal Reserve and may be prohibited by applicable Federal Reserve Board guidance.

Federal law prohibits us from borrowing from S&T Bank unless such loans are collateralized by specific obligations. Further, such loans are limited to 10 percent of S&T Bank's capital stock and surplus.

NOTE 7. SECURITIES

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

	December 31,	
(dollars in thousands)	2021	2020
Debt securities available-for-sale	$ 909,651	$ 770,393
Marketable equity securities	1,142	3,300
Total Securities	**$ 910,793**	**$ 773,693**

Debt Securities Available-for-Sale

The following tables present the amortized cost and fair value of debt securities available-for-sale as of December 31, 2021 and December 31, 2020:

	December 31, 2021				December 31, 2020			
(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	$ 95,954	$ 115	$ (742)	$ 95,327	$ 9,980	$ 302	$ —	$ 10,282
Obligations of U.S. government corporations and agencies	68,599	1,749	—	70,348	78,755	4,149	—	82,904
Collateralized mortgage obligations of U.S. government corporations and agencies	270,696	2,408	(2,810)	270,294	202,975	6,410	(89)	209,296
Residential mortgage-backed securities of U.S. government corporations and agencies	57,029	392	(628)	56,793	66,960	818	—	67,778
Commercial mortgage-backed securities of U.S. government corporations and agencies	336,918	5,969	(1,587)	341,300	258,875	14,806	—	273,681
Corporate Obligations	500	—	—	500	2,021	5	(1)	2,025
Obligations of states and political subdivisions	70,539	4,550	—	75,089	117,439	6,988	—	124,427
Total Debt Securities Available-for-Sale	**$ 900,235**	**$ 15,183**	**$ (5,767)**	**$ 909,651**	**$ 737,005**	**$ 33,478**	**$ (90)**	**$ 770,393**

NOTE 7. SECURITIES AVAILABLE-FOR-SALE -- continued

The following table shows the composition of gross and net realized gains and losses for the periods presented:

	Years ended December 31,		
(dollars in thousands)	2021	2020	2019
Gross realized gains	$ 29	$ 219	$ 41
Gross realized losses	—	(77)	(67)
Net Realized Gains/(Losses)	**$ 29**	**$ 142**	**$ (26)**

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

	December 31, 2021								
	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	8	$ 85,221	$ (742)	—	$ —	$ —	8	$ 85,221	$ (742)
Collateralized mortgage obligations of U.S. government corporations and agencies	12	141,204	(2,436)	1	8,933	(374)	13	150,137	(2,810)
Residential mortgage-backed securities of U.S. government corporations and agencies	3	46,042	(628)	—	—	—	3	46,042	(628)
Commercial mortgage-backed securities of U.S. government corporations and agencies	7	100,032	(1,587)	—	—	—	7	100,032	(1,587)
Corporate Obligations	—	—	—	—	—	—	—	—	—
Total	**30**	**$ 372,499**	**$ (5,393)**	**1**	**$ 8,933**	**$ (374)**	**31**	**$ 381,432**	**$ (5,767)**

	December 31, 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	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
Collateralized mortgage obligations of U.S. government corporations and agencies	2	35,697	(89)	—	—	—	2	35,697	(89)
Residential mortgage-backed securities of U.S. government corporations and agencies	—	—	—	—	—	—	—	—	—
Commercial mortgage-backed securities of U.S. government corporations and agencies				—	—	—	—	—	—
Corporate Obligations	1	499	(1)	—	—	—	1	499	(1)
Total	**3**	**$ 36,196**	**$ (90)**	**—**	**$ —**	**$ —**	**3**	**$ 36,196**	**$ (90)**

We evaluate securities with unrealized losses quarterly to determine if the decline in fair value has resulted from credit loss or other factors. We do not believe any individual unrealized loss as of December 31, 2021 represents an impairment. At December 31, 2021, there were 31 debt securities and at December 31, 2020 there were 3 debt securities in an unrealized loss position. The unrealized losses on debt securities were primarily attributable to changes in interest rates and not related to the credit quality of the issuers. All debt securities are determined to be investment grade and paying principal and interest according to the contractual terms of the security. We do not intend to sell and it is more likely than not that we will not be required to sell any of the securities in an unrealized loss position before recovery of their amortized cost.

NOTE 7. SECURITIES AVAILABLE-FOR-SALE -- continued

We concluded that the ACL for debt securities was immaterial at December 31, 2021. Prior to the adoption of ASU 2016-13 there was no other than temporary impairment, or OTTI, recorded during the year ended December 31, 2020.

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

	December 31, 2021			December 31, 2020		
(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 debt securities available-for-sale	$ 15,183	$ (5,767)	$ 9,416	$ 33,478	$ (90)	$ 33,388
Income tax (expense) benefit	(3,215)	1,221	(1,994)	(7,128)	19	(7,109)
Net Unrealized Gains/(Losses), Net of Tax Included in Accumulated Other Comprehensive Income/(Loss)	**$ 11,968**	**$ (4,546)**	**$ 7,422**	**$ 26,350**	**$ (71)**	**$ 26,279**

The amortized cost and fair value of debt securities available-for-sale at December 31, 2021 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.

	December 31, 2021	
(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	$ 43,513	$ 44,027
Due after one year through five years	63,849	66,363
Due after five years through ten years	106,881	107,427
Due after ten years	20,849	22,947
Debt Securities Available-for-Sale With Maturities	**235,092**	**240,764**
Collateralized mortgage obligations of U.S. government corporations and agencies	270,696	270,294
Residential mortgage-backed securities of U.S. government corporations and agencies	57,029	56,793
Commercial mortgage-backed securities of U.S. government corporations and agencies	336,918	341,300
Corporate Obligations	500	500
Total Debt Securities Available-for-Sale	**$ 900,235**	**$ 909,651**

At December 31, 2021 and 2020, debt securities with carrying values of $466.9 million and $308.3 million 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:

	Years ended December 31,		
(dollars in thousands)	2021	2020	2019
Marketable Equity Securities			
Net market gains (losses) recognized	$ 189	$ (500)	$ 334
Less: Net gains recognized for equity securities sold	29	142	—
Unrealized Gains (Losses) on Equity Securities Still Held	**$ 160**	**$ (642)**	**$ 334**

NOTE 8. LOANS AND LOANS HELD FOR SALE

Loans are presented net of unearned income of $14.1 million and $16.0 million at December 31, 2021 and 2020 and net of a discount related to purchase accounting fair value adjustments of $6.7 million and $8.6 million at December 31, 2021 and December 31, 2020.

The following table summarizes the composition of originated and acquired loans as of the dates presented:

(dollars in thousands)	December 31, 2021	December 31, 2020
Commercial		
Commercial real estate	$ 3,236,653	$ 3,244,974
Commercial and industrial	1,728,969	1,954,453
Commercial construction	440,962	474,280
Total Commercial Loans	**5,406,584**	**5,673,707**
Consumer		
Consumer real estate	1,485,478	1,471,238
Installment and other consumer	107,928	80,915
Total Consumer Loans	**1,593,406**	**1,552,153**
Total Portfolio Loans	**6,999,990**	**7,225,860**
Loans held for sale	1,522	18,528
Total Loans [1]	**$ 7,001,512**	**$ 7,244,388**

[1] *Excludes interest receivable of $18.7 million at December 31, 2021 and $24.7 million at December 31, 2020. Interest receivable is included in other assets in the Consolidated Balance Sheets.*

Commercial and industrial loans, or C&I, included $88.3 million of loans originated under the Paycheck Protection Program, or PPP, at December 31, 2021 compared to $465.0 million at December 31, 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.

At December 31, 2021, our business banking segment was $1.1 billion compared to $1.2 billion at December 31, 2020. Business banking consists of 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. Business banking consisted of $546.1 million of commercial real estate loans, $215.4 million of C&I loans of which $39.7 million are PPP loans, $16.2 million of commercial construction loans and $357.9 million of consumer real estate loans at December 31, 2021. At December 31, 2020 business banking consisted of $453.0 million of commercial real estate loans, $394.9 million of C&I loans of which $178.4 million are PPP Loans, $8.2 million of commercial construction loans and $303.9 million of consumer real estate loans that have a commercial purpose.

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 77.2 percent of total portfolio loans at December 31, 2021 and 78.5 percent at December 31, 2020. Within our commercial portfolio, the CRE and Commercial Construction portfolios combined comprised $3.7 billion or 68.0 percent of total commercial loans and 52.5 percent of total portfolio loans at December 31, 2021 and comprised $3.7 billion or 65.6 percent of total commercial loans and 51.5 percent of total portfolio loans at December 31, 2020.

NOTE 8. LOANS AND LOANS HELD FOR SALE -- continued

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 this geography of 5.7 percent of the combined portfolios at December 31, 2021 and 5.9 percent at December 31, 2020. Exposure of total portfolio loans was 3.0 percent at December 31, 2021and December 31, 2020.

The following table summarizes our restructured loans as of the dates presented:

	December 31, 2021			December 31, 2020		
(dollars in thousands)	Performing TDRs	Nonperforming TDRs	Total TDRs	Performing TDRs	Nonperforming TDRs	Total TDRs
Commercial real estate	$ —	$ 1,697	$ 1,697	$ 14	$ 16,654	$ 16,668
Commercial and industrial	748	14,889	15,637	7,090	9,885	16,975
Commercial construction	2,190	2,087	4,277	3,267	—	3,267
Business banking	858	1,696	2,554	1,503	430	1,933
Consumer real estate	6,122	1,405	7,527	5,581	2,319	7,900
Other consumer	3	—	3	5	—	5
Total	**$ 9,921**	**$ 21,774**	**$ 31,695**	**$ 17,460**	**$ 29,289**	**$ 46,748**

The following tables present the restructured loans by loan segment and by type of concession for the years ended:

	December 31, 2021							
		Type of Modification						
(dollars in thousands)	Number of Contracts	Bankruptcy[(1)]	Other	Extend Maturity	Modify Rate	Modify Payments	Total Post-Modification Outstanding Recorded Investment[(2)]	Total Pre-Modification Outstanding Recorded Investment[(2)]
Commercial real estate	1	$ —	$ —	$ —	$ —	$ 1,300	$ 1,300	$ 1,824
Commercial industrial	3	—	—	2,039	—	9,182	11,221	21,297
Commercial construction	1	—	—	2,087	—	—	2,087	5,279
Business banking	9	8	—	558	—	1,155	1,721	1,792
Consumer real estate	26	1,099	—	—	—	147	1,246	1,280
Other consumer	—	—	—	—	—	—	—	—
Total	**40**	**$ 1,107**	**$ —**	**$ 4,684**	**$ —**	**$ 11,784**	**$ 17,575**	**$ 31,472**

(1) Bankruptcy is consumer bankruptcy loans where the debt has been legally discharged through the bankruptcy court and not reaffirmed.

(2) 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.

	December 31, 2020							
		Type of Modification						
(dollars in thousands)	Number of Contracts	Bankruptcy[(1)]	Other	Extend Maturity	Modify Rate	Modify Payments	Total Post-Modification Outstanding Recorded Investment[(2)]	Total Pre-Modification Outstanding Recorded Investment[(2)]
Commercial real estate	1	$ —	$ —	$ —	$ —	$ 4,791	$ 4,791	$ 5,292
Commercial industrial	3	—	—	13,339	—	281	13,620	15,217
Commercial construction	3	—	—	2,330	—	—	2,330	2,592
Business banking	3	—	—	165	—	95	260	501
Consumer real estate	29	956	—	690	—	—	1,646	1,688
Other consumer	1	4	—	—	—	—	4	5
Total	**40**	**$ 960**	**$ —**	**$ 16,524**	**$ —**	**$ 5,167**	**$ 22,651**	**$ 25,295**

(1) Bankruptcy is consumer bankruptcy loans where the debt has been legally discharged through the bankruptcy court and not reaffirmed.

(2) 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.

NOTE 8. LOANS AND LOANS HELD FOR SALE -- continued

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 pandemic 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 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 during 2021. We had eight loans that were modified totaling $28.8 million at December 31, 2021 compared to 52 loans that were modified totaling $195.6 million at December 31, 2020.

We had 12 commitments for $2.6 million to lend additional funds on TDRs at December 31, 2021 compared to 20 commitments for $0.8 million at December 31, 2020. We had no TDR's that returned to accruing status during 2021. We returned one TDR totaling $0.1 million to accruing status during 2020.

Defaulted TDRs are defined as loans having a payment default of 90 days or more after the restructuring takes place that were restructured within the last 12 months prior to defaulting. There were no TDRs that defaulted during the year ended December 31, 2021 and there were six TDRs totaling $11.8 million that defaulted during the year ended 2020.

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

	December 31,	
(dollars in thousands)	**2021**	**2020**
Nonperforming Assets		
Nonaccrual loans	$ 44,517	$ 117,485
Nonaccrual TDRs	21,774	29,289
Total nonaccrual loans	66,291	146,774
OREO	13,313	2,155
Total Nonperforming Assets	**$ 79,604**	**$ 148,929**

The following table presents a summary of the aggregate amount of loans to certain officers, directors of S&T or any affiliates of such persons as of December 31:

	2021	**2020**
Balance at beginning of year	$ 6,329	$ 8,225
New loans	1,826	3,343
Repayments or no longer considered a related party	(1,998)	(5,239)
Balance at end of year	**$ 6,157**	**$ 6,329**

NOTE 9. 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) 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 health care. The primary sources of repayment for these loans are the operations of the individual projects and global cash flows of the debtors. 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. The primary source of repayment for these loans is cash flow from the operations of the company. 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.

Note 9. ALLOWANCE FOR CREDIT LOSSES - continued

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. 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.

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.

The following tables present loan balances by year of origination and internally assigned risk rating for our portfolio segments as of the dates presented:

	December 31, 2021								
	Risk Rating								
(dollars in thousands)	**2021**	**2020**	**2019**	**2018**	**2017**	**2016 and Prior**	**Revolving**	**Revolving-Term**	**Total**
Commercial Real Estate									
Pass	$ 385,347	$ 316,003	$ 412,191	$ 314,303	$ 213,019	$ 698,992	$ 35,448	—	$ 2,375,303
Special Mention	—	—	37,786	6,401	40,445	75,938	—	—	160,570
Substandard	—	1,356	18,743	14,039	12,555	106,461	1,500	—	154,654
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Real Estate	**385,347**	**317,359**	**468,720**	**334,743**	**266,019**	**881,391**	**36,948**	**—**	**2,690,528**
Commercial and Industrial									
Pass	437,483	126,371	115,359	83,030	37,176	132,182	536,554	—	1,468,155
Special Mention	46	—	3,060	2,546	72	832	8,887	—	15,443
Substandard	—	—	14,221	1,336	4,174	3,456	4,961	—	28,148
Doubtful	—	—	1,777	—	—	—	—	—	1,777
Total Commercial and Industrial	**437,529**	**126,371**	**134,417**	**86,912**	**41,422**	**136,470**	**550,402**	**—**	**1,513,523**
Commercial Construction									
Pass	142,321	108,405	111,512	16,838	989	3,539	30,036	—	413,640
Special Mention	—	—	—	—	—	4,458	—	—	4,458
Substandard	—	2,157	2,020	—	—	2,480	—	—	6,657
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Construction	**142,321**	**110,562**	**113,532**	**16,838**	**989**	**10,477**	**30,036**	**—**	**424,755**
Business Banking									
Pass	257,264	107,791	141,411	110,586	79,187	293,215	107,093	443	1,096,990
Special Mention	104	151	1,986	1,365	1,057	5,929	160	111	10,863
Substandard	41	106	1,579	3,277	1,645	19,591	977	625	27,841
Doubtful	—	—	—	—	—	—	—	—	—
Total Business Banking	**257,409**	**108,048**	**144,976**	**115,228**	**81,889**	**318,735**	**108,230**	**1,179**	**1,135,693**
Consumer Real Estate									
Pass	137,465	100,995	91,981	48,531	39,029	231,861	442,530	23,391	1,115,783
Special Mention	—	—	—	—	—	937	—	—	937
Substandard	—	—	184	1,625	1,355	5,664	876	1,161	10,865
Doubtful	—	—	—	—	—	—	—	—	—
Total Consumer Real Estate	**137,465**	**100,995**	**92,165**	**50,156**	**40,384**	**238,462**	**443,406**	**24,552**	**1,127,585**
Other consumer									
Pass	19,976	9,396	7,120	2,878	613	2,037	57,702	1,130	100,852
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	83	52	141	215	408	4,407	201	1,547	7,054
Doubtful	—	—	—	—	—	—	—	—	—
Total Other Consumer	**20,059**	**9,448**	**7,261**	**3,093**	**1,021**	**6,444**	**57,903**	**2,677**	**107,906**
Total Loan Balance	**$ 1,380,130**	**$ 772,783**	**$ 961,071**	**$ 606,970**	**$ 431,724**	**$ 1,591,979**	**$ 1,226,925**	**$ 28,408**	**$ 6,999,990**

(dollars in thousands)	December 31, 2020								
	Risk Rating								
	2020	2019	2018	2017	2016	2015 and Prior	Revolving	Revolving-Term	Total
Commercial Real Estate									
Pass	$ 334,086	$ 422,800	$ 394,963	$ 277,724	$ 307,321	$ 615,217	$ 46,330	—	$ 2,398,441
Special Mention	—	35,499	10,200	22,502	55,174	75,022	—	—	198,397
Substandard	—	17,259	12,781	19,914	50,700	83,792	1,500	—	185,946
Doubtful	—	645	—	—	1,989	6,529	—	—	9,163
Total Commercial Real Estate	**334,086**	**476,203**	**417,944**	**320,140**	**415,184**	**780,560**	**47,830**	**—**	**2,791,947**
Commercial and Industrial									
Pass	454,131	199,453	140,049	68,607	27,645	206,782	383,082	—	1,479,749
Special Mention	3,697	8,211	2,628	697	768	1,046	23,527	—	40,574
Substandard	—	7,793	2,613	8,544	75	13,781	2,022	—	34,828
Doubtful	—	—	—	4,401	—	—	—	—	4,401
Total Commercial and Industrial	**457,828**	**215,457**	**145,290**	**82,249**	**28,488**	**221,609**	**408,631**	**—**	**1,559,552**
Commercial Construction									
Pass	131,235	224,794	59,649	2,420	6,346	4,555	12,778	—	441,777
Special Mention	1,578	2,533	3,886	—	—	8,593	—	—	16,590
Substandard	—	3,580	—	501	—	3,629	—	—	7,710
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Construction	**132,813**	**230,907**	**63,535**	**2,921**	**6,346**	**16,777**	**12,778**	**—**	**466,077**
Business Banking									
Pass	296,254	154,335	123,207	86,552	77,238	266,042	103,571	291	1,107,490
Special Mention	—	1,060	1,147	1,602	1,084	6,866	637	123	12,519
Substandard	103	1,078	3,896	3,209	3,880	25,871	1,341	680	40,058
Doubtful	—	—	—	—	—	—	—	—	—
Total Business Banking	**296,357**	**156,473**	**128,250**	**91,363**	**82,202**	**298,779**	**105,549**	**1,094**	**1,160,067**
Consumer Real Estate									
Pass	120,736	122,171	67,700	63,653	73,805	243,939	438,888	22,667	1,153,559
Special Mention	—	—	1,489	—	—	150	132	—	1,771
Substandard	—	373	742	1,480	2,449	6,958	—	—	12,002
Doubtful	—	—	—	—	—	—	—	—	—
Total Consumer Real Estate	**120,736**	**122,544**	**69,931**	**65,133**	**76,254**	**251,047**	**439,020**	**22,667**	**1,167,332**
Other consumer									
Pass	18,849	13,162	6,784	3,395	2,082	687	26,647	2,767	74,373
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	15	—	—	—	—	3,367	744	2,386	6,512
Doubtful	—	—	—	—	—	—	—	—	—
Total Other Consumer	**18,864**	**13,162**	**6,784**	**3,395**	**2,082**	**4,054**	**27,391**	**5,153**	**80,885**
Total Loan Balance	**$ 1,360,684**	**$ 1,214,746**	**$ 831,734**	**$ 565,201**	**$ 610,556**	**$ 1,572,826**	**$ 1,041,199**	**$ 28,914**	**$ 7,225,860**

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.

Note 9. ALLOWANCE FOR CREDIT LOSSES - continued

The following tables present loan balances by year of origination and performing and nonperforming status for our portfolio segments as of the dates presented:

	December 31, 2021								
(dollars in thousands)	2021	2020	2019	2018	2017	2016 and Prior	Revolving	Revolving-Term	Total
Commercial Real Estate									
Performing	$ 385,347	$ 317,359	$ 461,613	$ 332,482	$ 259,723	$ 865,567	$ 36,948	$ —	$ 2,659,039
Nonperforming	—		7,107	2,261	6,296	15,824	—	—	31,488
Total Commercial Real Estate	**385,347**	**317,359**	**468,720**	**334,743**	**266,019**	**881,391**	**36,948**	**—**	**2,690,528**
Commercial and Industrial									
Performing	437,529	126,371	123,944	86,852	38,540	136,427	548,622	—	1,498,285
Nonperforming	—	—	10,473	60	2,882	43	1,780	—	15,239
Total Commercial and Industrial	**437,529**	**126,371**	**134,417**	**86,912**	**41,422**	**136,470**	**550,402**	**—**	**1,513,523**
Commercial Construction									
Performing	142,321	110,562	111,445	16,838	989	10,093	30,036	—	422,284
Nonperforming	—	—	2,087	—	—	384	—	—	2,471
Total Commercial Construction	**142,321**	**110,562**	**113,532**	**16,838**	**989**	**10,477**	**30,036**	**—**	**424,755**
Business Banking									
Performing	257,368	107,984	144,689	113,820	81,195	311,673	108,202	1,122	1,126,052
Nonperforming	41	64	287	1,408	694	7,062	28	57	9,641
Total Business Banking	**257,409**	**108,048**	**144,976**	**115,228**	**81,889**	**318,735**	**108,230**	**1,179**	**1,135,693**
Consumer Real Estate									
Performing	137,465	100,253	91,689	49,853	39,657	234,297	443,238	23,839	1,120,291
Nonperforming	—	742	476	303	727	4,165	168	713	7,294
Total Consumer Real Estate	**137,465**	**100,995**	**92,165**	**50,156**	**40,384**	**238,462**	**443,406**	**24,552**	**1,127,585**
Other Consumer									
Performing	20,059	9,290	7,261	3,093	1,021	6,444	57,903	2,677	107,748
Nonperforming	—	158	—	—	—	—	—	—	158
Total Other Consumer	**20,059**	**9,448**	**7,261**	**3,093**	**1,021**	**6,444**	**57,903**	**2,677**	**107,906**
Performing	1,380,089	771,819	940,641	602,938	421,125	1,564,501	1,224,949	27,638	6,933,699
Nonperforming	41	964	20,430	4,032	10,599	27,478	1,976	770	66,291
Total Loan Balance	**$ 1,380,130**	**$ 772,783**	**$ 961,071**	**$ 606,970**	**$ 431,724**	**$ 1,591,979**	**$ 1,226,925**	**$ 28,408**	**$ 6,999,990**

	December 31, 2020								
(dollars in thousands)	2020	2019	2018	2017	2016	2015 and Prior	Revolving	Revolving-Term	Total
Commercial Real Estate									
Performing	$ 334,086	$ 459,799	$ 417,944	$ 313,465	$ 394,972	$ 722,782	$ 47,830	$ —	$ 2,690,879
Nonperforming	—	16,404	—	6,675	20,212	57,778	—	—	101,070
Total Commercial Real Estate	**334,086**	**476,203**	**417,944**	**320,140**	**415,184**	**780,560**	**47,830**	**—**	**2,791,947**
Commercial and Industrial									
Performing	457,828	214,144	143,706	69,411	28,426	220,701	408,350	—	1,542,566
Nonperforming	—	1,313	1,584	12,838	62	908	281	—	16,985
Total Commercial and Industrial	**457,828**	**215,457**	**145,290**	**82,249**	**28,488**	**221,609**	**408,631**	**—**	**1,559,552**
Commercial Construction									
Performing	132,813	230,907	63,535	2,921	6,346	16,393	12,778	—	465,692
Nonperforming	—	—	—	—	—	384	—	—	384
Total Commercial Construction	**132,813**	**230,907**	**63,535**	**2,921**	**6,346**	**16,777**	**12,778**	**—**	**466,077**
Business Banking									
Performing	296,327	156,164	126,432	90,414	80,106	286,970	105,494	1,037	1,142,944
Nonperforming	30	309	1,818	949	2,096	11,809	55	57	17,123
Total Business Banking	**296,357**	**156,473**	**128,250**	**91,363**	**82,202**	**298,779**	**105,549**	**1,094**	**1,160,067**
Consumer Real Estate									
Performing	120,736	122,315	69,225	63,647	74,690	245,331	438,702	21,572	1,156,216
Nonperforming	—	229	706	1,486	1,564	5,716	318	1,096	11,116
Total Consumer Real Estate	**120,736**	**122,544**	**69,931**	**65,133**	**76,254**	**251,047**	**439,020**	**22,667**	**1,167,332**
Other Consumer									
Performing	18,864	13,162	6,784	3,395	2,082	3,958	27,391	5,153	80,789
Nonperforming	—	—	—	—	—	96	—	—	96
Total Other Consumer	**18,864**	**13,162**	**6,784**	**3,395**	**2,082**	**4,054**	**27,391**	**5,153**	**80,885**
Performing	1,360,654	1,196,491	827,625	543,253	586,622	1,496,135	1,040,544	27,762	7,079,086
Nonperforming	30	18,254	4,108	21,948	23,934	76,691	654	1,153	146,774
Total Loan Balance	**$ 1,360,684**	**$ 1,214,746**	**$ 831,734**	**$ 565,201**	**$ 610,556**	**$ 1,572,826**	**$ 1,041,199**	**$ 28,914**	**$ 7,225,860**

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

	December 31, 2021[(1)]					
(dollars in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	Non-performing	Total Past Due Loans	Total Loans
Commercial real estate	$ 2,659,040	$ —	$ —	$ 31,488	$ 31,488	$ 2,690,528
Commercial and industrial	1,497,755	529	—	15,239	15,768	1,513,523
Commercial construction	421,834	450	—	2,471	2,921	424,755
Business banking	1,124,748	813	491	9,641	10,945	1,135,693
Consumer real estate	1,117,073	1,087	2,130	7,294	10,512	1,127,585
Other consumer	107,492	206	50	158	414	107,906
Total	**$ 6,927,943**	**$ 3,085**	**$ 2,672**	**$ 66,291**	**$ 72,048**	**$ 6,999,990**

[(1)] We had 8 loans that were modified totaling $28.8 million under the CARES Act at December 31, 2021 compared to 52 loans that were modified totaling $195.6 million at December 31, 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.

Note 9. ALLOWANCE FOR CREDIT LOSSES - continued

(dollars in thousands)	December 31, 2020[2] 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	$ 2,690,877	$ —	$ —	$ —	$ 101,070	$ 101,070	$ 2,791,947
Commercial and industrial	1,542,567	—	—	—	16,985	16,985	1,559,552
Commercial construction	462,094	19	3,580	—	384	3,983	466,077
Business banking	1,140,581	1,614	379	371	17,122	19,486	1,160,067
Consumer real estate	1,153,028	1,087	1,968	132	11,117	14,304	1,167,332
Other consumer	80,583	168	37	—	96	302	80,885
Total	**$ 7,069,730**	**$ 2,888**	**$ 5,965**	**$ 503**	**$ 146,774**	**$ 156,130**	**$ 7,225,860**

[1] Represents acquired loans that were recorded at fair value at the acquisition date and remain performing at December 31, 2020.
[2] We had 52 loans that were modified totaling $195.6 million at December 31, 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.

Note 9. ALLOWANCE FOR CREDIT LOSSES - continued

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

	December 31, 2021			December 31, 2021 For the twelve months ended
(dollars in thousands)	Beginning of Period Nonaccrual	End of Period Nonaccrual	Nonaccrual With No Related Allowance	Interest Income Recognized on Nonaccrual[1]
Commercial real estate	$ 101,070	$ 31,488	$ 28,046	$ 158
Commercial and industrial	16,985	15,239	5,707	74
Commercial construction	384	2,471	2,020	(28)
Business banking	17,122	9,641	1,696	427
Consumer real estate	11,117	7,294	—	496
Other consumer	96	158	—	1
Total	**$ 146,774**	**$ 66,291**	**$ 37,469**	**$ 1,128**

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

	December 31, 2020				December 31, 2020 For the twelve 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]
Commercial real estate	$ 25,356	$ 101,070	$ 60,401	$ —	$ 22
Commercial and industrial	10,911	16,985	6,436	—	101
Commercial construction	737	384	285	—	—
Business banking	9,863	17,122	3,890	371	275
Consumer real estate	6,063	11,117	398	132	423
Other consumer	1,127	96	—	—	4
Total	**$ 54,057**	**$ 146,774**	**$ 71,410**	**$ 503**	**$ 826**

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

The following tables present collateral-dependent loans by class of loan:

	December 31, 2021 Type of Collateral			
(dollars in thousands)	Real Estate	Blanket Lien	Investment/Cash	Other
Commercial real estate	$ 28,046	$ —	$ —	$ —
Commercial and industrial	259	4,905	—	10,473
Commercial construction	4,210	—	—	—
Business banking	910	1,636	—	—
Consumer real estate	1,031	—	—	—
Total	**$ 34,456**	**$ 6,541**	**$ —**	**$ 10,473**

	December 31, 2020 Type of Collateral			
(dollars in thousands)	Real Estate	Blanket Lien	Investment/Cash	Other
Commercial real estate	$ 100,450	$ —	$ —	$ —
Commercial and industrial	1,040	15,080	—	—
Commercial construction	3,552	—	—	—
Business banking	3,085	1,619	—	689
Consumer real estate	398	—	—	—
Total	**$ 108,525**	**$ 16,699**	**$ —**	**$ 689**

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Note 9. ALLOWANCE FOR CREDIT LOSSES - continued

The following tables present activity in the ACL for years ended:

	Twelve Months Ended December 31, 2021						
(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	$ 65,656	$ 16,100	$ 7,239	$ 15,917	$ 10,014	$ 2,686	$ 117,612
Provision for credit losses on loans[2]	(2,569)	23,746	(1,842)	(3,159)	(1,020)	338	15,494
Charge-offs	(13,444)	(20,923)	(56)	(1,580)	(569)	(952)	(37,524)
Recoveries	1,057	804	14	160	308	651	2,994
Net (Charge-offs)/Recoveries	**(12,387)**	**(20,119)**	**(42)**	**(1,420)**	**(261)**	**(301)**	**(34,530)**
Balance at End of Period	**$ 50,700**	**$ 19,727**	**$ 5,355**	**$ 11,338**	**$ 8,733**	**$ 2,723**	**$ 98,576**

	Twelve Months Ended December 31, 2020						
(dollars in thousands)	Commercial Real Estate	Commercial and Industrial [1]	Commercial Construction	Business Banking	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	636	27,346
Provision for credit losses on loans[2]	56,489	65,288	2,986	5,303	(368)	1,723	131,421
Charge-offs	(26,460)	(74,282)	(454)	(2,612)	(667)	(1,890)	(106,365)
Recoveries	240	1,560	183	328	187	488	2,986
Net (Charge-offs)/Recoveries	**(26,220)**	**(72,722)**	**(271)**	**(2,284)**	**(480)**	**(1,402)**	**(103,379)**
Balance at End of Period	**$ 65,656**	**$ 16,100**	**$ 7,239**	**$ 15,917**	**$ 10,014**	**$ 2,686**	**$ 117,612**

[1]*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.*
[2]*Excludes the provision for credit losses for unfunded commitments.*

The provision for credit losses, which includes a provision for losses on loans and 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 decreased $115.9 million to $15.5 million for 2021 compared to $131.4 million for 2020. The significant decrease in the provision for credit losses during 2021 was mainly due to the customer fraud in 2020 and an improved outlook for the economy and our loan portfolio.

The C&I portfolio included $88.3 million of loans originated under the PPP at December 31, 2021 compared to $465.0 million at December 31, 2020. The loans are 100 percent guaranteed by the SBA, therefore, we have not assigned any ACL to these loans at December 31, 2021.

Note 9. ALLOWANCE FOR CREDIT LOSSES - continued

NOTE 10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

We have 48 lease contracts, including 45 operating leases and three finance leases at December 31, 2021. These leases are for our branch, loan production and support services facilities. Included in the lease expense for premises are leases with one S&T director, which totaled approximately $0.2 million for each of the three years 2021, 2020 and 2019.

The following table presents our lease expense for finance and operating leases for the years ended December 31:

(dollars in thousands)	2021	2020	2019
Operating lease expense[(1)]	$ 5,135	$ 5,711	$ 4,221
Amortization of ROU assets - finance leases[(1)]	224	224	101
Interest on lease liabilities - finance leases [(2)]	74	84	74
Total Lease Expense	**$ 5,433**	**$ 6,019**	**$ 4,396**

[(1)] Included in occupancy expense in our Consolidated Statements of Net Income.
[(2)] Included in borrowings interest expense in our Consolidated Statements of Net Income.

The following table presents our ROU assets, weighted average term and the discount rates for finance and operating leases as of December 31:

(dollars in thousands)	2021	2020
Operating Leases		
ROU assets	$ 44,067	$ 46,245
Operating cash flows	$ 6,570	$ 6,489
Finance Leases		
ROU assets	$ 1,055	$ 1,278
Operating cash flows	$ 74	$ 84
Financing cash flows	$ 194	$ 180
Weighted Average Lease Term - Years		
Operating leases	18.9	18.7
Finance leases	12.4	12.1
Weighted Average Discount Rate		
Operating leases	5.82 %	5.90 %
Finance leases	5.91 %	5.81 %

During 2021, we entered into one new operating lease increasing the right-of-use asset and the related liability values by $3.0 million. During 2020, two operating leases were considered abandoned due to branch closures and the right-of-use asset values were reduced by $0.5 million to zero and the related liabilities were reduced by $0.2 million. We recognized additional expense of $0.3 million at the date of abandonment for these leases.

The following table presents the maturity analysis of lease liabilities for finance and operating leases as of December 31, 2021:

(dollars in thousands)

Maturity Analysis	Finance	Operating	Total
2022	$ 225	$ 4,707	$ 4,932
2023	129	4,519	4,648
2024	130	4,512	4,642
2025	132	4,544	4,676
2026	133	4,574	4,707
Thereafter	1,012	64,040	65,052
Total	**1,761**	**86,896**	**88,657**
Less: Present value discount	(561)	(36,830)	(37,391)
Lease Liabilities	**$ 1,200**	**$ 50,066**	**$ 51,266**

NOTE 11. PREMISES AND EQUIPMENT

The following table is a summary of premises and equipment as of the dates presented:

	December 31,	
(dollars in thousands)	2021	2020
Land	$ 8,651	$ 8,651
Premises	62,313	61,299
Furniture and equipment	46,799	45,072
Leasehold improvements	12,205	12,061
	129,968	**127,083**
Accumulated depreciation	(77,336)	(71,469)
Total	**$ 52,632**	**$ 55,614**

Certain banking facilities are leased under finance leases and are included in total premises and equipment. We have one right-of-use asset for land in the amount of $0.1 million and two right-of use assets for buildings totaling $1.0 million. Additional information relating to leased right-of-use assets is included in Note 10 Right-of-Use Assets and Lease Liabilities.

Depreciation expense related to premises and equipment was $6.6 million in 2021, $6.7 million in 2020 and $5.4 million in 2019.

NOTE 12. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents goodwill as of the dates presented:

(dollars in thousands)	December 31, 2021	December 31, 2020
Balance at beginning of year	$ 373,424	$ 371,621
Additions	—	1,803
Balance at End of Year	$ 373,424	$ 373,424

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Additional goodwill of $1.8 million was recorded during 2020 related to our acquisition of DNB. Refer to Note 2 Business Combinations for further details on the DNB merger.

Goodwill is reviewed for impairment annually or more frequently if it is determined that a triggering event has occurred. Based upon our qualitative assessment performed for our annual impairment analysis as of October 1, 2021, we concluded that it is more likely than not that the fair value of the reporting units exceeds the carrying value. In general, the overall macroeconomic conditions and more specifically the economic conditions of the banking industry have improved throughout 2021. No events or circumstances since the November 1, 2021 annual impairment test were noted that would indicate it was more likely than not that goodwill impairment exists.

The following table presents a summary of intangible assets as of the dates presented:

(dollars in thousands)	December 31, 2021	December 31, 2020
Gross carrying amount at beginning of year	$ 31,340	$ 31,052
Additions	—	288
Accumulated amortization	(24,445)	(22,665)
Balance at End of Year	**$ 6,895**	**$ 8,675**

Intangible assets of $6.9 million at December 31, 2021 relate to core deposit and wealth management customer relationships resulting from acquisitions. The $0.3 million addition during 2020 related to acquired wealth management customer relationships. We determined the amount of identifiable intangible assets for our core deposits based upon an independent valuation. Other intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. There were no triggering events in 2021 requiring an impairment analysis to be completed.

Amortization expense on finite-lived intangible assets totaled $1.8 million, $2.5 million and $0.8 million for 2021, 2020 and 2019.

The following is a summary of the expected amortization expense for finite-lived intangible assets, assuming no new additions, for each of the five years following December 31, 2021 and thereafter:

(dollars in thousands)	Amount
2022	$ 1,518
2023	1,319
2024	1,151
2025	820
2026	671
Thereafter	1,416
Total	**$ 6,895**

NOTE 13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The following table indicates the amounts representing the value of derivative assets and derivative liabilities at December 31:

	Derivatives (included in Other Assets)		Derivatives (included in Other Liabilities)	
(dollars in thousands)	**2021**	**2020**	**2021**	**2020**
Derivatives not Designated as Hedging Instruments				
Interest Rate Swap Contracts—Commercial Loans				
Fair value	$ 33,528	$ 78,319	$ 33,631	$ 79,033
Notional amount	1,017,178	983,638	1,017,178	983,638
Collateral posted	—	—	37,360	77,930
Interest Rate Lock Commitments—Mortgage Loans				
Fair value	401	2,900	—	—
Notional amount	12,148	51,053	—	—
Forward Sale Contracts—Mortgage Loans				
Fair value	4	—	—	385
Notional amount	8,436	—	—	47,062

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 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 at December 31:

	Derivatives (included in Other Assets)		Derivatives (included in Other Liabilities)	
(dollars in thousands)	**2021**	**2020**	**2021**	**2020**
Derivatives not Designated as Hedging Instruments				
Gross amounts recognized	$ 37,289	$ 82,655	$ 37,392	$ 82,626
Gross amounts offset	(3,761)	(4,336)	(3,761)	(3,593)
Net amounts presented in the Consolidated Balance Sheets	33,528	78,319	33,631	79,033
Gross amounts not offset[(1)]	—	—	(37,360)	(77,930)
Net Amount	**$ 33,528**	**$ 78,319**	**$ (3,729)**	**$ 1,103**

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

The following table indicates the gain or loss recognized in income on derivatives for the years ended December 31:

(dollars in thousands)	**2021**	**2020**	**2019**
Derivatives not Designated as Hedging Instruments			
Interest rate swap contracts—commercial loans	$ 610	$ (746)	$ (132)
Interest rate lock commitments—mortgage loans	(2,499)	1,715	70
Forward sale contracts—mortgage loans	389	478	(54)
Total Derivative (Loss)/Gain	**$ (1,500)**	**$ 1,447**	**$ (116)**

NOTE 14. MORTGAGE SERVICING RIGHTS

For the years ended December 31, 2021, 2020 and 2019, the 1-4 family mortgage loans that were sold to Fannie Mae amounted to $287.9 million, $345.1 million and $94.5 million. At December 31, 2021, 2020 and 2019 our servicing portfolio totaled $841.7 million, $718.2 million and $509.2 million.

The following table indicates MSRs and the net carrying values:

(dollars in thousands)	Servicing Rights	Valuation Allowance	Net Carrying Value
Balance at December 31, 2019	**$ 4,939**	**$ (277)**	**$ 4,662**
Additions	2,887	—	2,887
Amortization	(1,206)	—	(1,206)
Temporary impairment	—	(1,354)	(1,354)
Balance at December 31, 2020	**$ 6,620**	**$ (1,631)**	**$ 4,989**
Additions	2,974	—	2,974
Amortization	(1,707)	—	(1,707)
Temporary recapture	—	1,421	1,421
Balance at December 31, 2021	**$ 7,887**	**$ (210)**	**$ 7,677**

NOTE 15. 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 $12.6 million at December 31, 2021 and $8.4 million at December 31, 2020. Amortization expense, included in other noninterest expense in the Consolidated Statements of Net Income (Loss), was $1.2 million, $3.2 million and $2.6 million for the twelve months ended December 31, 2021, 2020 and 2019. The amortization expense was offset by tax credits of $2.0 million, $2.2 million and $4.2 million for the twelve months ended December 31, 2021, 2020, and 2019 as a reduction to our federal tax provision.

In 2021, we entered into two new qualified affordable housing projects and committed to a total investment of $19.4 million for these new projects. As of December 31, 2021, $2.3 million of funds were invested into one of these new projects. No amortization expense or tax credits will be recognized for these new projects until complete.

NOTE 16. DEPOSITS

The following table presents the composition of deposits at December 31 and interest expense for the years ended December 31:

	2021		2020		2019	
(dollars in thousands)	**Balance**	**Interest Expense**	**Balance**	**Interest Expense**	**Balance**	**Interest Expense**
Noninterest-bearing demand	$ 2,748,586	$ —	$ 2,261,994	$ —	$ 1,698,082	$ —
Interest-bearing demand	979,133	809	864,510	2,681	962,331	3,915
Money market	2,070,579	3,651	1,937,063	11,645	1,949,811	30,236
Savings	1,110,155	366	969,508	972	830,919	1,928
Certificates of deposit	1,088,071	5,930	1,387,463	20,688	1,595,433	26,947
Total	**$ 7,996,524**	**$ 10,757**	**$ 7,420,538**	**$ 35,986**	**$ 7,036,576**	**$ 63,026**

The aggregate of all certificates of deposits over $250,000, including brokered CDs, were $243.4 million and $329.7 million at December 31, 2021 and 2020.

The following table indicates the scheduled maturities of certificates of deposit at December 31, 2021:

(dollars in thousands)	**Amount**
2022	$ 961,578
2023	40,622
2024	21,712
2025	44,345
2026	16,475
Thereafter	3,339
Total	**$ 1,088,071**

NOTE 17. SHORT-TERM BORROWINGS

Short-term borrowings are for terms under or equal to one year and are comprised of securities sold under 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 $86.3 million and carrying value of $88.4 million at December 31, 2021 and amortized cost of $65.1 million and carrying value of $68.4 million at December 31, 2020 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.

The following table presents the composition of short-term borrowings, the weighted average interest rate as of December 31 and interest expense for the years ended December 31:

	2021			2020			2019		
(dollars in thousands)	**Balance**	**Weighted Average Interest Rate**	**Interest Expense**	**Balance**	**Weighted Average Interest Rate**	**Interest Expense**	**Balance**	**Weighted Average Interest Rate**	**Interest Expense**
REPOs	$ 84,491	0.10 %	$ 79	$ 65,163	0.25 %	$ 169	$ 19,888	0.74 %	$ 110
FHLB advances	—	— %	12	75,000	0.19 %	1,434	281,319	1.84 %	6,416
Total Short-term Borrowings	**$ 84,491**	**0.10 %**	**$ 91**	**$ 140,163**	**0.22 %**	**$ 1,603**	**$ 301,207**	**1.76 %**	**$ 6,526**

NOTE 18. LONG-TERM BORROWINGS AND SUBORDINATED DEBT

Long-term borrowings are for original terms greater than one year and are comprised of FHLB advances, finance leases and junior subordinated debt securities. Our long-term borrowings were $22.4 million as of December 31, 2021 and $23.7 million as of December 31, 2020. Long-term FHLB advances are secured by the same loans as short-term FHLB advances. Total loans pledged as collateral at the FHLB were $4.0 billion at December 31, 2021. We were eligible to borrow up to an additional $2.5 billion based on qualifying collateral and up to a maximum borrowing capacity of $2.8 billion at December 31, 2021.

The following table represents the balance of long-term borrowings, the weighted average interest rate as of December 31 and interest expense for the years ended December 31:

(dollars in thousand)	2021	2020	2019
Long-term borrowings	$ 22,430	$ 23,681	$ 50,868
Weighted average interest rate	1.94 %	2.03 %	2.60 %
Interest expense	$ 458	$ 1,201	$ 1,831

Scheduled annual maturities and average interest rates for all of our long-term debt for each of the five years subsequent to December 31, 2020 and thereafter are as follows:

(dollars in thousands)	Balance	Average Rate
2022	$ 7,689	2.29 %
2023	464	5.74 %
2024	13,381	1.34 %
2025	81	5.98 %
2026	87	6.00 %
Thereafter	728	6.01 %
Total	**$ 22,430**	**1.94 %**

Junior Subordinated Debt Securities

The following table represents the composition of junior subordinated debt securities at December 31 and the interest expense for the years ended December 31:

	2021		2020		2019	
(dollars in thousands)	Balance	Interest Expense	Balance	Interest Expense	Balance	Interest Expense
Junior subordinated debt	$ 25,000	$ 756	$ 34,750	$ 1,007	$ 34,753	$ 1,059
Junior subordinated debt—trust preferred securities	29,393	1,087	29,333	1,279	29,524	1,251
Total	**$ 54,393**	**$ 1,843**	**$ 64,083**	**$ 2,286**	**$ 64,277**	**$ 2,310**

The following table summarizes the key terms of our junior subordinated debt securities:

(dollars in thousands)	2001 Trust Preferred Securities	2005 Trust Preferred Securities	2006 Junior Subordinated Debt	2008 Trust Preferred Securities
Junior Subordinated Debt	$—	$—	$25,000	$—
Trust Preferred Securities	5,155	4,124	—	20,619
Stated Maturity Date	7/25/2031	5/23/2035	12/15/2036	3/15/2038
Optional redemption date at par	Any time after 7/25/2011	Any time after 5/23/2010	Any time after 9/15/2011	Any time after 3/15/2013
Regulatory Capital	Tier 1	Tier 1	Tier 2	Tier 1
Interest Rate	6 Month LIBOR plus 375 bps	3 Month LIBOR plus 177 bps	3 month LIBOR plus 160 bps	3 month LIBOR plus 350 bps
Interest Rate at December 31, 2021	3.90%	1.93%	1.80%	3.70%

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, or 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 third party investors are considered the primary beneficiaries of the Trusts; therefore, the Trusts qualify as variable interest entities, but are not consolidated into our financial statements. The Trusts pays 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 19. 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:

	December 31,	
(dollars in thousands)	**2021**	**2020**
Commitments to extend credit	$ 2,583,957	$ 2,185,752
Standby letters of credit	87,335	89,095
Total	**$ 2,671,292**	**$ 2,274,847**

Allowance for Credit Losses on Unfunded Loan Commitments

We maintain an ACL on unfunded commercial and consumer lending commitments and letters of credit to provide for the risk of loss in these arrangements.

The activity in the unfunded loan commitments reserve is summarized as of the dates presented:

(dollars in thousands)	**December 31, 2021**	**December 31, 2020**
Balance at beginning of period	$ 4,467	$ 3,112
Impact of adopting ASU 2016-13 at January 1, 2020	—	1,349
Balance after adoption of ASU 2016-13	**4,467**	**4,461**
Provision for credit losses	722	6
Total	**$ 5,189**	**$ 4,467**

Contractual Obligations

Contractual obligations represent future cash commitments and liabilities under agreements with third parties and exclude contingent contractual liabilities for which we cannot reasonably predict future payments. We have various financial obligations, including contractual obligations and commitments that may require future cash payments. The following table presents as of December 31, 2021 significant fixed and determinable contractual obligations to third parties by payment date:

	Payments Due In				
(dollars in thousands)	**2022**	**2023-2024**	**2025-2026**	**Later Years**	**Total**
Deposits without a stated maturity[(1)]	$ 6,908,453	$ —	$ —	$ —	$ 6,908,453
Certificates of deposit[(1)]	961,578	62,334	60,820	3,339	1,088,071
Securities sold under repurchase agreements[(1)]	84,491	—	—	—	84,491
Short-term borrowings[(1)]	—	—	—	—	—
Long-term borrowings[(1)]	7,689	13,845	168	728	22,430
Junior subordinated debt securities[(1)]	—	—	—	54,393	54,393
Operating and capital leases	4,932	9,290	9,383	65,052	88,657
Purchase obligations	19,823	42,432	46,492	—	108,747
Total	**$ 7,986,966**	**$ 127,901**	**$ 116,863**	**$ 123,512**	**$ 8,355,242**

[(1)] *Excludes interest*

Operating lease obligations represent short and long-term lease arrangements as described in Note 11 Premises and Equipment, to the Consolidated Financial Statements. Purchase obligations primarily represent obligations under agreement with our third party data processing servicer and communications charges.

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 18. LONG-TERM BORROWINGS AND SUBORDINATED DEBT - continued

NOTE 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

		Years ended December 31,		
(dollars in thousands)		2021	2020	2019
Revenue Streams [(1)]	**Point of Revenue Recognition**			
Service charges on deposit accounts	Over a period of time	$ 1,880	$ 1,797	$ 1,859
	At a point in time	13,160	11,800	11,457
		$ 15,040	**$ 13,597**	**$ 13,316**
Debit and credit card	Over a period time	$ 919	$ 738	$ 723
	At a point in time	17,033	14,355	12,682
		$ 17,952	**$ 15,093**	**$ 13,405**
Wealth management	Over a period of time	$ 9,187	$ 7,919	$ 6,939
	At a point in time	3,702	2,038	1,684
		$ 12,889	**$ 9,957**	**$ 8,623**
Other fee revenue	At a point in time	$ 1,900	$ 1,810	$ 3,836

[(1)] *Refer to Note 1 Summary of Significant Accounting Policies for the types of revenue streams that are included within each category.*

NOTE 21. INCOME TAXES

The following table presents the composition of income tax expense (benefit) for the years ended December 31:

(dollars in thousands)	2021	2020	2019
Federal			
Current	$ 22,581	$ 4,256	$ 18,918
Deferred	2,273	(4,273)	(406)
Total Federal	**24,854**	**(17)**	**18,512**
State			
Current	361	145	589
Deferred	110	(129)	25
Total State	**471**	**16**	**614**
Total Federal and State	**$ 25,325**	**$ (1)**	**$ 19,126**

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. We ordinarily generate an annual effective tax rate that is less than the statutory rate of 21 percent primarily due to benefits resulting from certain partnership investments, such as low income housing and historic rehabilitation projects, tax-exempt interest, excludable dividend income and tax-exempt income on BOLI. The state tax provision is due to taxable business activities conducted at our loan production office in New York.

The following table presents a reconciliation of the statutory tax rate to the effective tax rate for the years ended December 31:

	2021	2020	2019
Statutory tax rate	21.0 %	21.0 %	21.0 %
Low income housing tax credits	(1.5) %	(11.1) %	(3.3) %
Tax-exempt interest	(1.3) %	(11.9) %	(2.1) %
Bank owned life insurance	(0.3) %	(1.8) %	(0.4) %
Merger related expenses	— %	— %	0.3 %
Other	0.8 %	3.8 %	0.8 %
Effective Tax Rate	**18.7 %**	**— %**	**16.3 %**

The following table presents significant components of our temporary differences as of the dates presented:

(dollars in thousands)	December 31, 2021	December 31, 2020
Deferred Tax Assets:		
Allowance for credit losses	$ 22,083	$ 26,051
Lease liabilities	10,876	11,368
State net operating loss carryforwards	5,565	5,489
Net adjustment to funded status of pension	3,922	4,692
Low income housing partnerships	3,270	3,996
Other employee benefits	3,433	2,050
Other	3,973	3,798
Gross Deferred Tax Assets	**53,122**	**57,444**
Less: Valuation allowance	(5,565)	(5,489)
Total Deferred Tax Assets	**47,557**	**51,955**
Deferred Tax Liabilities:		
Right-of-use lease assets	(9,603)	(10,141)
Net unrealized gains on securities available-for-sale	(2,004)	(7,125)
Deferred loan income	(6,697)	(6,796)
Prepaid pension	(4,566)	(5,209)
Purchase accounting adjustments	(1,954)	(1,971)
Depreciation on premises and equipment	(1,107)	(1,275)
Other	(1,466)	(1,245)
Total Deferred Tax liabilities	**(27,397)**	**(33,762)**
Net Deferred Tax Asset	**$ 20,160**	**$ 18,193**

We establish a valuation allowance when it is more likely than not that we will not be able to realize the benefit of the deferred tax assets. Except for Pennsylvania net operating losses, or NOLs, we have determined that no valuation allowance is needed for deferred tax assets because it is more likely than not that these assets will be realized through future reversals of existing temporary differences and through future taxable income. The valuation allowance is reviewed quarterly and adjusted based on management's assessments of realizable deferred tax assets. Gross deferred tax assets were reduced by a valuation allowance of $5.5 million in 2021 and in 2020 related to Pennsylvania income tax NOLs. The Pennsylvania NOL carryforwards total $55.7 million and will expire in the years 2021-2041.

Unrecognized Tax Benefits

The following table reconciles the change in Federal and State gross unrecognized tax benefits, or UTB, for the years ended December 31:

(dollars in thousands)	2021	2020	2019
Balance at beginning of year	$ 1,277	$ 1,051	$ 768
Prior period tax positions	—	(18)	(10)
Current period tax positions	54	244	293
Balance at End of Year	**$ 1,331**	**$ 1,277**	**$ 1,051**
Amount That Would Impact the Effective Tax Rate if Recognized	**$ 1,069**	**$ 1,027**	**$ 848**

We classify interest and penalties as an element of tax expense. We monitor changes in tax statutes and regulations to determine if significant changes will occur over the next 12 months. As of December 31, 2021, no significant changes to UTB are projected; however, tax audit examinations are possible. As of December 31, 2021, all income tax returns filed for the tax years 2017 - 2020 remain subject to examination by the Internal Revenue Service. In 2021, an audit of our New York State tax returns for the period January 1, 2016 through December 31, 2018 concluded with a final tax assessment of $0.1 million primarily related to the qualified loans exemption and Metropolitan Commuter Transportation District tax.

NOTE 22. TAX EFFECTS ON OTHER COMPREHENSIVE (LOSS) INCOME

The following tables present the tax effects of the components of other comprehensive (loss) income for the years ended December 31:

(dollars in thousands)	Pre-Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
2021			
Net change in unrealized gains on debt securities available-for sale	$ (23,972)	$ 5,115	$ (18,857)
Net available-for-sale securities (gains) losses reclassified into earnings	—	—	—
Adjustment to funded status of employee benefit plans	3,561	(765)	2,796
Other Comprehensive Loss	**$ (20,411)**	**$ 4,350**	**$ (16,061)**
2020			
Net change in unrealized gains on debt securities available-for-sale	$ 22,683	$ (4,827)	$ 17,856
Net available-for-sale securities (gains) losses reclassified into earnings	—	—	—
Adjustment to funded status of employee benefit plans	3,549	(764)	2,785
Other Comprehensive Income	**$ 26,232**	**$ (5,591)**	**$ 20,641**
2019			
Net change in unrealized gains on debt securities available-for-sale	$ 15,793	$ (3,367)	$ 12,426
Net available-for-sale securities losses (gains) reclassified into earnings	26	(6)	20
Adjustment to funded status of employee benefit plans	(1,282)	273	(1,009)
Other Comprehensive Income	**$ 14,537**	**$ (3,100)**	**$ 11,437**

NOTE 23. EMPLOYEE BENEFITS

We maintain a qualified defined benefit pension plan, or Plan, covering substantially all employees hired prior to January 1, 2008. The benefits are based on years of service and the employee's compensation for the highest five consecutive years in the last ten years through March 31, 2016 when the Plan was frozen. Contributions are intended to provide for benefits attributed to employee service to date and for those benefits expected to be earned in the future.

Our qualified and nonqualified defined benefit plans were amended to freeze benefit accruals for all persons entitled to benefits under the plan 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 plan, 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 expected long-term rate of return on plan assets is 2.42 percent.

The following table summarizes the activity in the benefit obligation and Plan assets deriving the funded status:

(dollars in thousands)		2021		2020
Change in Projected Benefit Obligation				
Projected benefit obligation at beginning of year	$	117,506	$	113,679
Interest cost		2,950		3,456
Actuarial gain/(loss)		(2,136)		10,525
Benefits paid		(14,223)		(10,154)
Projected Benefit Obligation at End of Year	**$**	**104,097**	**$**	**117,506**
Change in Plan Assets				
Fair value of plan assets at beginning of year	$	122,344	$	116,652
Actual return on plan assets		(596)		15,731
Employer contributions		—		115
Benefits paid		(14,223)		(10,154)
Fair Value of Plan Assets at End of Year	**$**	**107,525**	**$**	**122,344**
Funded Status	**$**	**3,428**	**$**	**4,838**

The following table sets forth the amounts recognized in accumulated other comprehensive income at December 31:

(dollars in thousands)		2021		2020
Net actuarial loss		(18,029)		(19,572)
Total (Before Tax Effects)	**$**	**(18,029)**	**$**	**(19,572)**

NOTE 21. INCOME TAXES -- continued

Below are the actuarial weighted average assumptions used in determining the benefit obligation:

	2021	2020
Discount rate	2.80 %	2.48 %
Rate of compensation increase[(1)]	— %	— %

[(1)]Rate of compensation increase is not applicable for 2021 and 2020 due to the amendment to freeze benefit accruals under the qualified and nonqualified defined benefit pension plans effective March 31, 2016.

The following table summarizes the components of net periodic pension cost and other changes in Plan assets and benefit obligations recognized in other comprehensive loss for the years ended December 31:

(dollars in thousands)	2021	2020	2019
Components of Net Periodic Pension Cost			
Interest cost on projected benefit obligation	$ 2,950	$ 3,456	$ 3,987
Expected return on plan assets	(2,677)	(3,925)	(4,731)
Amortization of prior service credit - DNB merger	—	—	7
Recognized net actuarial loss	1,051	1,419	1,604
Settlement charge	1,629	833	—
Net Periodic Pension Expense	**$ 2,953**	**$ 1,783**	**$ 867**
Other Changes in Plan Assets and Benefit Obligation Recognized in Other Comprehensive Income (Loss)			
Net actuarial loss/(gain)	$ 1,137	$ (1,282)	$ 2,370
Recognized net actuarial loss	(1,051)	(1,419)	(1,604)
Settlement loss recognized	(1,629)	(833)	—
Recognized prior service credit	—	—	—
Total (Before Tax Effects)	**$ (1,543)**	**$ (3,534)**	**$ 766**
Total Recognized in Net Benefit Cost and Other Comprehensive Income/(Loss) (Before Tax Effects)	**$ 1,410**	**$ (1,751)**	**$ 1,633**

The following table summarizes the actuarial weighted average assumptions used in determining net periodic pension cost:

	2021	2020	2019
Discount rate	2.48 %	3.25 %	4.31 %
Rate of compensation increase[(1)]	— %	— %	— %
Expected return on assets	2.42 %	3.45 %	4.80 %

[(1)]Rate of compensation increase is not applicable for 2021, 2020, and 2019 due to the amendment to freeze benefit accruals under the qualified and nonqualified defined benefit pension plans effective March 31, 2016.

The accumulated benefit obligation for the Plan was $104.1 million at December 31, 2021 and $117.5 million at December 31, 2020.

We consider many factors when setting the assumed rate of return on Plan assets. As a general guideline the assumed rate of return is equal to the weighted average of the expected returns for each asset category and is estimated based on historical returns as well as expected future returns. The weighted average discount rate is derived from corporate yield curves.

S&T Bank's Retirement Plan Committee determines the investment policy for the Plan. In general, the targeted asset allocation is 5 percent to 15 percent equities and alternatives and 85 percent to 95 percent fixed income. A strategic allocation within each asset class is based on the Plan's duration, time horizon, risk tolerances, performance expectations, and asset class preferences. Investment managers have discretion to invest in any equity or fixed-income asset class, subject to the securities guidelines of the Plan's Investment Policy Statement. At this time, S&T Bank is not required to make a cash contribution to the Plan in 2022.

The following table provides information regarding estimated future benefit payments to be paid in each of the next five years and in the aggregate for the five years thereafter:

(dollars in thousands)	Amount
2022	$ 7,088
2023	7,023
2024	6,768
2025	6,590
2026	6,361
2027 - 2031	30,536

We also have nonqualified supplemental executive pension plans, or SERPs, for certain key employees. The SERPs are unfunded. The projected benefit obligations related to the SERPs were $2.3 million and $5.6 million at December 31, 2021 and 2020. These amounts also represent the net amount recognized in the statement of financial position for the SERPs. Net periodic benefit costs for the SERPs were $0.6 million for the year ended December 31, 2021 and $0.7 million for the year ended December 31, 2020 and $0.4 million for the year ended December 31, 2019. Additionally, $0.4 million before tax was reflected in accumulated other comprehensive income (loss) at December 31, 2021 and $2.4 million at December 31,2020 in relation to the SERPs. Net periodic benefit cost of $0.6 million for the year ended December 31, 2021 included a settlement charge of $0.3 million. The actuarial assumptions used for the SERPs are the same as those used for the Plan.

We maintain a Thrift Plan, a qualified defined contribution plan, in which substantially all employees are eligible to participate. We make matching contributions to the Thrift Plan up to 3.5 percent of participants' eligible compensation and may make additional profit-sharing contributions as provided by the Thrift Plan. Expense related to these contributions amounted to $2.4 million in 2021 and 2020 and $2.0 million in 2019.

Fair Value Measurements

The following tables present our Plan assets measured at fair value on a recurring basis by fair value hierarchy level at December 31, 2021 and 2020. During the years ended December 31, 2021 and 2020 there were no transfers between Level 1 and Level 2 for items of a recurring basis. There were no purchases or transfers of Level 3 plan assets in 2021 or 2020.

	December 31, 2021 Fair Value Asset Classes[1]			
(dollars in thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents[2]	$ 3,759	$ —	$ —	$ 3,759
Fixed income[3]	93,495	—	—	93,495
Equities:				
Equity index mutual funds—international[4]	3,043	—	—	3,043
Domestic individual equities[5]	7,228	—	—	7,228
Total Assets at Fair Value	**$ 107,525**	**$ —**	**$ —**	**$ 107,525**

[1] *Refer to Note 1 Summary of Significant Accounting Policies, Fair Value Measurements for a description of levels within the fair value hierarchy.*
[2] *This asset class includes FDIC insured money market instruments.*
[3] *This asset class includes a variety of fixed income mutual funds which primarily invest in investment grade rated securities. Investment managers have discretion to invest in fixed income related securities including futures, options and other derivatives. Investments may be made in currencies other than the U.S. dollar.*
[4] *The sole investment within this asset class is the Vanguard Total International Stock Index Fund Admiral Shares.*
[5] *This asset class includes individual domestic equities invested in an active all-cap strategy. It may also include convertible bonds.*

(dollars in thousands)	December 31, 2020 Fair Value Asset Classes[1] Level 1	Level 2	Level 3	Total
Cash and cash equivalents[2]	$ 1,563	$ —	$ —	$ 1,563
Fixed income[3]	108,583	—	—	108,583
Equities:				
Equity index mutual funds—international[4]	3,332	—	—	3,332
Domestic individual equities[5]	8,866	—	—	8,866
Total Assets at Fair Value	**$ 122,344**	**$ —**	**$ —**	**$ 122,344**

[1]Refer to Note 1 Summary of Significant Accounting Policies, Fair Value Measurements for a description of levels within the fair value hierarchy.
[2]This asset class includes FDIC insured money market instruments.
[3]This asset class includes a variety of fixed income mutual funds which primarily invest in investment grade rated securities. Investment managers have discretion to invest in fixed income related securities including futures, options and other derivatives. Investments may be made in currencies other than the U.S. dollar.
[4]The sole investment within this asset class is Vanguard Total International Stock Index Fund Admiral Shares.
[5]This asset class includes individual domestic equities invested in an active all-cap strategy. It may also include convertible bonds.

NOTE 24. INCENTIVE AND RESTRICTED STOCK PLAN AND DIVIDEND REINVESTMENT PLAN

On May 17, 2021 shareholders approved the adoption of the 2021 Incentive Plan that provides for cash performance awards and for granting incentive stock options, nonstatutory stock options, restricted stock, restricted stock units and appreciation rights. The 2021 Plan replaces and supersedes the S&T Bancorp, Inc. 2014 Incentive Plan. Since the 2021 Plan has been approved by our shareholders, no new awards will be granted under the 2014 Plan. The 2014 Plan will continue to govern all awards granted under that plan. A maximum of 1,000,000 shares of our common stock were available for awards granted under the 2021 Incentive Plan and the plan expires ten years from the date of board approval. Previously granted but forfeited shares are added to the shares available for issuance.

The 2014 Incentive Stock Plan also provided for cash performance awards and for granting incentive stock options, nonstatutory stock options, restricted stock, restricted stock units and appreciation rights. A maximum of 750,000 shares of our common stock were available for awards granted under the 2014 Incentive Plan and the plan expires ten years from the date of board approval. Previously granted but forfeited shares are added to the shares available for issuance.

Restricted Stock

We periodically issue restricted stock to employees and directors pursuant to our 2021 and 2014 Stock Plans. Restricted stock awards are part of the compensation arrangements approved by the Compensation and Benefits Committee. Restricted shares granted under the plans consist of both time and performance-based awards. The awards are granted in accordance with performance levels set by the Compensation and Benefits Committee. During 2021, we granted 30,959 restricted shares of common stock under the 2021 Stock Plan. In 2021, 2020 and 2019, we granted 99,711, 230,703 and 84,882 restricted shares of common stock under the 2014 Stock Plan.

The following table provides information about restricted stock awards granted under the plans for the periods presented:

	Vesting Period	December 31, 2021	2020	2019
2021 Stock Plan				
Directors	One year	14,650	—	—
Chief Executive Officer	One year	8,309	—	—
Other Awards	Three years	8,000	—	—
2014 Stock Plan				
Directors	One year	—	23,153	13,057
Senior Management	Three years	78,769	123,881	71,825
Other Awards	Three years	20,942	83,669	—
Total Restricted Stock Grants		**130,670**	**230,703**	**84,882**

Common stock is issued as vesting restrictions lapse, which varies according to the terms of the vesting schedules in the award agreements. Restricted stock grants are forfeited if a grantee leaves S&T before the end of the vesting period except where accelerated vesting provisions are defined with the award agreements.

NOTE 23. EMPLOYEE BENEFITS -- continued

During 2021, 2020 and 2019, we recognized compensation expense of $2.4 million, $0.7 million and $2.4 million and realized a tax benefit of $0.5 million, $0.2 million and $0.5 million related to restricted stock grants.

The following table provides information about restricted stock granted under the Plans for the years ended December 31:

	Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2019	**182,035**	**$ 34.06**
Granted	230,703	23.43
Vested	77,317	37.39
Forfeited	58,741	32.77
Non-vested at December 31, 2020	**276,680**	**$ 24.54**
Granted	130,670	33.17
Vested	71,152	27.66
Forfeited	57,810	34.93
Non-vested at December 31, 2021	**278,388**	**$ 25.64**

As of December 31, 2021, there was $3.6 million of total unrecognized compensation cost related to restricted stock that will be recognized as compensation expense over a weighted average period of 1.93 years.

Dividend Reinvestment Plan

We also sponsor a Dividend Reinvestment and Stock Purchase Plan, or Dividend Plan, where shareholders may purchase shares of S&T common stock at the average fair value with reinvested dividends and voluntary cash contributions. The plan administrator and transfer agent may purchase shares directly from us from shares held in treasury or purchase shares in the open market to fulfill the Dividend Plan’s needs.

NOTE 23. EMPLOYEE BENEFITS -- continued

NOTE 25. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

The following condensed financial statements summarize the financial position of S&T Bancorp, Inc. as of December 31, 2021 and 2020 and the results of its operations and cash flows for each of the three years ended December 31, 2021, 2020 and 2019.

BALANCE SHEETS

	December 31,	
(dollars in thousands)	2021	2020
ASSETS		
Cash	$ 10,769	$ 6,585
Investments in:		
Bank subsidiary	1,209,796	1,168,831
Non-bank subsidiaries	5,684	10,493
Other assets	9,993	8,614
Total Assets	**$ 1,236,242**	**$ 1,194,523**
LIABILITIES		
Long-term debt	$ 29,521	$ 39,317
Other liabilities	267	495
Total Liabilities	**29,788**	**39,812**
Total Shareholders' Equity	**1,206,454**	**1,154,711**
Total Liabilities and Shareholders' Equity	**$ 1,236,242**	**$ 1,194,523**

STATEMENTS OF NET INCOME

	Years ended December 31,		
(dollars in thousands)	2021	2020	2019
Dividends from subsidiaries	$ 62,333	$ 59,315	$ 59,490
Investment income	—	—	1
Total Income	**62,333**	**59,315**	**59,491**
Interest expense on long-term debt	313	1,696	1,285
Other expenses	5,034	4,464	4,325
Total Expense	**5,347**	**6,160**	**5,610**
Income before income tax and undistributed net income of subsidiaries	**56,986**	**53,155**	**53,881**
Income tax benefit	(1,140)	(1,315)	(1,189)
Income before undistributed net income of subsidiaries	**58,126**	**54,470**	**55,070**
Equity in undistributed net income (distribution in excess of net income) of:			
Bank subsidiary	57,025	(27,529)	42,683
Non-bank subsidiaries	(4,808)	(5,901)	481
Net Income	**$ 110,343**	**$ 21,040**	**$ 98,234**

NOTE 23. EMPLOYEE BENEFITS -- continued

STATEMENTS OF CASH FLOWS

	Years ended December 31,		
(dollars in thousands)	**2021**	**2020**	**2019**
OPERATING ACTIVITIES			
Net Income	$ 110,343	$ 21,040	$ 98,234
Equity in undistributed (earnings) losses of subsidiaries	(52,217)	33,430	(43,164)
Other	761	1,708	(99)
Net Cash Provided by Operating Activities	**58,887**	**56,178**	**54,971**
INVESTING ACTIVITIES			
Net investments in subsidiaries	—	—	176
Acquisitions	—	—	(10)
Net Cash Provided by Investing Activities	**—**	**—**	**166**
FINANCING ACTIVITIES			
Repayment of long term debt	(9,750)	—	—
Sale of treasury shares, net	(629)	(594)	(915)
Purchase of treasury shares	—	(12,559)	(18,222)
Cash dividends paid to common shareholders	(44,324)	(43,949)	(37,360)
Payment to repurchase of warrant	—	—	—
Net Cash Used in Financing Activities	**(54,703)**	**(57,102)**	**(56,497)**
Net decrease in cash	4,184	(924)	(1,360)
Cash at beginning of year	6,585	7,509	8,869
Cash at End of Year	**$ 10,769**	**$ 6,585**	**$ 7,509**

NOTE 26. REGULATORY MATTERS

We are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our Consolidated Financial Statements. Under capital guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments by the regulators about risk weightings and other factors.

The most recent notifications from the Federal Reserve and the FDIC categorized S&T and S&T Bank as well capitalized under the regulatory framework for corrective action. There have been no conditions or events that we believe have changed S&T's or S&T Bank’s status during 2021 and 2020.

Common equity tier 1 capital includes common stock and related surplus plus retained earnings, less goodwill and intangible assets subject to a limitation and certain deferred tax assets subject to a limitation. In addition, we made a one-time permanent election to exclude accumulated other comprehensive income from capital. For regulatory purposes, trust preferred securities totaling $29.0 million, issued by an unconsolidated trust subsidiary of S&T underlying junior subordinated debt, are included in Tier 1 capital for S&T. Total capital consists of Tier 1 capital plus junior subordinated debt and the ACL subject to limitation. We currently have $25.0 million in junior subordinated debt which is included in Tier 2 capital for S&T in accordance with current regulatory reporting requirements.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios of Total, Tier 1 and Common Equity Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets. As of December 31, 2021 and 2020, we met all capital adequacy requirements to which we are subject.

NOTE 24. INCENTIVE AND RESTRICTED STOCK PLAN AND DIVIDEND REINVESTMENT PLAN -- continued

The following table summarizes risk-based capital amounts and ratios for S&T and S&T Bank:

	Actual		Minimum Regulatory Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2021						
Leverage Ratio						
S&T	$ 889,785	9.74 %	$ 365,535	4.00 %	$ 456,918	5.00 %
S&T Bank	864,127	9.46 %	365,544	4.00 %	456,930	5.00 %
Common Equity Tier 1 (to Risk-Weighted Assets)						
S&T	860,785	12.03 %	322,109	4.50 %	465,268	6.50 %
S&T Bank	864,127	12.09 %	321,711	4.50 %	464,694	6.50 %
Tier 1 Capital (to Risk-Weighted Assets)						
S&T	889,785	12.43 %	429,479	6.00 %	572,638	8.00 %
S&T Bank	864,127	12.09 %	428,948	6.00 %	571,931	8.00 %
Total Capital (to Risk-Weighted Assets)						
S&T	987,420	13.79 %	572,638	8.00 %	715,798	10.00 %
S&T Bank	961,762	13.45 %	571,931	8.00 %	714,913	10.00 %
As of December 31, 2020						
Leverage Ratio						
S&T	$ 852,515	9.43 %	$ 350,311	4.00 %	$ 437,889	5.00 %
S&T Bank	810,636	9.27 %	349,739	4.00 %	437,174	5.00 %
Common Equity Tier 1 (to Risk-Weighted Assets)						
S&T	796,515	11.33 %	316,338	4.50 %	456,933	6.50 %
S&T Bank	810,636	11.55 %	315,792	4.50 %	456,144	6.50 %
Tier 1 Capital (to Risk-Weighted Assets)						
S&T	825,515	11.74 %	421,784	6.00 %	562,379	8.00 %
S&T Bank	810,636	11.55 %	421,056	6.00 %	561,408	8.00 %
Total Capital (to Risk-Weighted Assets)						
S&T	944,686	13.44 %	562,379	8.00 %	702,974	10.00 %
S&T Bank	922,007	13.14 %	561,408	8.00 %	701,760	10.00 %

NOTE 27. SHARE REPURCHASE PLAN

On March 15, 2021, our Board of Directors authorized an extension of its $50 million share repurchase plan, which was set to expire March 31, 2021. This authorization extended the expiration date of the repurchase plan through March 31, 2022. The plan permits S&T to repurchase from time to time up to the previously authorized $50 million in aggregate value of shares of S&T's common stock, with $37.4 million of capacity remaining at December 31, 2021, 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. Any share repurchases will not begin until permissible under applicable laws. During the twelve months ended December 31, 2021, we had no repurchases. Repurchase activity was suspended in March of 2020 due to the impact of the COVID-19 pandemic.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of S&T Bancorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of S&T Bancorp, Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of net income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2022 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-13

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for credit losses in 2020 due to the adoption of ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinion on the critical audit matter or on the account or disclosures to which it relates.

NOTE 26. REGULATORY MATTERS -- continued

Allowance for Credit Losses ("ACL")

Description of the Matter	At December 31, 2021, the Company's gross portfolio of loans was $7.0 billion with an associated ACL of $98.6 million. As discussed in Note 1 to the consolidated financial statements, the ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers historical loss experience, current conditions and forecasts of future economic conditions. 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 an individual assessment of loans that do not share risk characteristics with other loans to determine if a specific reserve or a charge-off is appropriate. 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. 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. Judgment was required by management to determine the segment specific risk portion of the qualitative allowance. Auditing the ACL involves a high degree of subjectivity due to the segment specific risk portion of the qualitative allowance. Management's identification and measurement of the segment specific risk is highly judgmental and could have a significant effect on the ACL.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over the ACL process, which include, among others, management's review and approval controls designed to assess the need for and level of the segment specific risk portion of the qualitative allowance and the reliability of the data utilized to support management's assessment. To test the segment specific risk portion of the qualitative allowance, we evaluated the appropriateness of management's methodology and assessed the basis for the adjustments and whether all relevant risks were reflected in the ACL. Regarding the measurement of the segment specific risk portion of the qualitative allowance, we evaluated the completeness, accuracy and relevance of the underlying internal and external data utilized in management's estimate and considered the existence of additional or contrary information. We evaluated the overall ACL, inclusive of the qualitative adjustments, and whether the amount appropriately reflects a reasonable estimate of lifetime losses by comparing the overall ACL to historical losses and ACL reserves established by peer banking institutions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Pittsburgh, Pennsylvania
February 28, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of S&T Bancorp, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited S&T Bancorp, Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, S&T Bancorp, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of net income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated February 28, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
February 28, 2022

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

Item 9A. CONTROLS AND PROCEDURES

a) 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), management has evaluated the effectiveness of the design and operation of S&T's disclosure controls and procedures as of December 31, 2021. 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.

b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management assessed S&T's system of internal control over financial reporting as of December 31, 2021, in relation to criteria for effective internal control over financial reporting as described in "Internal Control Integrated Framework (2013)," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, management concludes that, as of December 31, 2021, S&T's system of internal control over financial reporting is effective and meets the criteria of the "Internal Control Integrated Framework (2013)."

Management assessed the effectiveness of S&T's internal control over financial reporting as of December 31, 2021, in relation to criteria for effective internal control over financial reporting as described in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, management concluded that, as of December 31, 2021, S&T's internal controls over financial reporting were effective. Our independent registered public accounting firm, has issued a report on the effectiveness of S&T's internal control over financial reporting as of December 31, 2021, which is included herein.

c) Changes in Internal Control Over Financial Reporting

No changes were made to S&T's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, S&T's internal control over financial reporting.

Item 9B. OTHER INFORMATION

Not applicable

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Part III, Item 10 of Form 10-K is incorporated herein from the sections entitled “Beneficial Ownership of S&T Common Stock by Directors and Officers - Delinquent Section 16(a) Reports,” “Proposal 1 -- Election of Directors,” “Executive Officers of the Registrant,” “Corporate Governance --Audit Committee,” “Corporate Governance - Director Qualifications and Nominations: Board Diversity” and “Corporate Governance --Code of Conduct and Ethics” in our proxy statement relating to our May 16, 2022 annual meeting of shareholders.

Item 11. EXECUTIVE COMPENSATION

The information required by Part III, Item 11 of Form 10-K is incorporated herein from the sections entitled “Compensation Discussion and Analysis,” “Executive Compensation,” “Director Compensation,” “Corporate Governance -- Compensation Committee Interlocks and Insider Participation,” “Corporate Governance - The S&T Board’s Role in Risk Oversight” and “Compensation and Benefits Committee Report” in our proxy statement relating to our May 16, 2022 annual meeting of shareholders.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as set forth below, the information required by Part III, Item 12 of Form 10-K is incorporated herein from the sections entitled “Beneficial Owners of S&T Common Stock” and “Beneficial Ownership of S&T Common Stock by Directors and Officers” in our proxy statement relating to our May 16, 2022 annual meeting of shareholders.

Equity Compensation Plan Information

The following table provides information as of December 31, 2021 related to the equity compensation plans in effect at that time.

	(a)	(b)	(c)
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights** [1]	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))**
Equity compensation plan approved by shareholders	100,542 [2]		969,041
Equity compensation plans not approved by shareholders	—	—	—
Total	**100,542**	**$ —**	**969,041**

[1] *Awards granted under the 2014 Incentive Stock Plan.*
[2] *Represents performance shares that can be earned with no associated exercise price.*

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Part III, Item 13 of Form 10-K is incorporated herein from the sections entitled “Related Person Transactions” and “Corporate Governance -- Director Independence” in our proxy statement relating to our May 16, 2022 annual meeting of shareholders.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Part III, Item 14 of Form 10-K is incorporated herein from the section entitled “Proposal 2: Ratification of the Selection of Independent Registered Public Accounting Firm for Fiscal Year 2022” in our proxy statement relating to our May 16, 2022 annual meeting of shareholders.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report.

Consolidated Financial Statements: The following Consolidated Financial Statements are included in Part II, Item 8 of this Report. No financial statement schedules are being filed because the required information is inapplicable or is presented in the Consolidated Financial Statements or related notes.

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(b) Exhibits

2.1	Agreement and Plan of Merger, dated as of October 29, 2014, between S&T Bancorp, Inc. and Integrity Bancshares, Inc. Filed as Exhibit 2.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on October 30, 2014, and incorporated herein by reference.
2.2	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.
3.1	Amended and Restated Articles of Incorporation of S&T Bancorp, Inc. Filed as Exhibit 3.1 to S&T Bancorp, Inc. Quarterly Report on Form 10-Q filed for the quarter ended June 30, 2021 filed on August 4, 2021, and incorporated herein by reference.
3.2	Amended and Restated By-laws of S&T Bancorp, Inc. Filed as Exhibit 3.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on December 23, 2020, and incorporated herein by reference.
	The Company has certain long-term debt but has not filed the instruments evidencing such debt as Exhibit 4 as none of such instruments authorize the issuance of debt exceeding 10 percent of the Companies total consolidated assets. The Company agrees to furnish a copy of each such agreement to the Securities and Exchange Commission upon request.
4.1	Description of Securities. Filed as Exhibit 4.1 to S&T Bancorp, Inc. Annual Report on Form 10-K for year ended December 31, 2019, and incorporated herein by reference
10.1	S&T Bancorp, Inc. 2003 Incentive Stock Plan. Filed as Exhibit 4.2 to Form S-8 Registration Statement (No. 333-111557) of S&T Bancorp, Inc. dated December 24, 2003, and incorporated herein by reference.*
10.2	S&T Bancorp, Inc. Thrift Plan for Employees of S&T Bank, as amended and restated. Filed as Exhibit 4.2 to Form S-8 Registration Statement (No. 333-156541) of S&T Bancorp, Inc. dated December 31, 2008, and incorporated herein by reference.*
10.3	Dividend Reinvestment and Stock Purchase Plan of S&T Bancorp, Inc. Filed as Exhibit 4.2 to Form S-3D Registration Statement (No. 333-156555) of S&T Bancorp, Inc. dated January 2, 2009 (included within the prospectus contained therein), and incorporated herein by reference.
10.4	Severance Agreement, by and between Todd D. Brice and S&T Bancorp, Inc. dated April 7, 2015. Filed as Exhibit 10.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on August 10, 2015, and incorporated herein by reference.*
10.5	Letter Agreement, dated as of October 2, 2020, by and between S&T Bancorp, Inc. and Todd D. Brice. Filed as Exhibit 10.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on October 2, 2020, and incorporated herein by reference.*
10.6	Confidentiality, Trade Secrets, Non-Solicitation and Severance Agreement, dated October 14, 2020, by and between David G. Antolik and S&T Bancorp, Inc. Filed as Exhibit 10.3 to S&T Bancorp, Inc. Current Report on Form 8-K filed on October 16, 2020, and incorporated herein by reference.*
10.7	Restricted Stock Award Agreement David G. Antolik, dated October 12, 2020. Filed as Exhibit 10.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on October 16, 2020, and incorporated herein by reference.*
10.8	Confidentiality, Trade Secrets, Non-Solicitation and Severance Agreement, dated October 14, 2020, by and between Mark Kochvar and S&T Bancorp, Inc. Filed as Exhibit 10.4 to S&T Bancorp, Inc. Current Report on Form 8-K filed on October 16, 2020.*
10.9	Restricted Stock Award Agreement Mark Kochvar, dated October 12, 2020. Filed as Exhibit 10.2 to S&T Bancorp, Inc. Current Report on Form 8-K filed on October 16, 2020, and incorporated herein by reference.*
10.10	S&T Bancorp, Inc. 2014 Incentive Plan. Filed as Exhibit 10.9 to S&T Bancorp, Inc. Annual Report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference. *

(b) Exhibits

10.11	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 for the quarter ended June 30, 2020, and incorporated herein by reference *
10.12	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 as Exhibit 10.2 to S&T Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, and incorporated herein by reference.*
10.13	Confidentiality, Trade Secrets, Non-Solicitation and Severance Agreement, October 21, 2020, by and between George Basara and S&T Bancorp, Inc. Filed as Exhibit 10.1 to S&T Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, and incorporated herein by reference.*
10.14	Severance Agreement dated April 20, 2015 by and between George Basara and S&T Bancorp, Inc. Filed as Exhibit 10.2 to S&T Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, and incorporated herein by reference.*
10.15	S&T Bancorp, Inc. 2021 Incentive Plan. Filed as Exhibit 10.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on May 20, 2021, and incorporated herein by reference.*
10.16	Severance and General Release Agreement, by and between Ernest J. Draganza and S&T Bancorp, Inc. Filed as Exhibit 10.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on June 3, 2021, and incorporated herein by reference.*
10.17	Employment Agreement, dated July 12, 2021, by and between S&T Bancorp, Inc. and Christopher J. McComish. Filed as Exhibit 10.1 to S&T Bancorp, Inc. Current Report on Form 8-K filed on July 12, 2021, and incorporated herein by reference.*
10.18	Employment Agreement, dated July 12, 2021, by and between S&T Bancorp, Inc. and David G. Antolik Filed as Exhibit 10.2 to S&T Bancorp, Inc. Current Report on Form 8-K filed on July 12, 2021, and incorporated herein by reference.*
21	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a-14(a) Certification of the Principal Executive Officer.
31.2	Rule 13a-14(a) Certification of the Principal Financial Officer.
32	Rule 13a-14(b) Certification of the Chief Executive Officer and Principal Financial Officer.
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 Section 13 or 15(d) 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)

/s/ Christopher J. McComish	2/28/2022
Christopher J. McComish, Chief Executive Officer (Principal Executive Officer)	Date
/s/ Mark Kochvar	2/28/2022
Mark Kochvar Senior Executive Vice President, Chief Financial Officer (Principal Financial Officer)	Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Christopher J. McComish Christopher J. McComish	Chief Executive Officer (Principal Executive Officer)	2/28/2022
/s/ Mark Kochvar Mark Kochvar	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	2/28/2022
/s/ Melanie Lazzari Melanie Lazzari	Executive Vice President, Controller	2/28/2022
/s/ David G. Antolik David G. Antolik	President and Director	2/28/2022
/s/ Christine J. Toretti Christine J. Toretti	Chair of the Board and Director	2/28/2022
/s/ Lewis W. Adkins Jr Lewis W. Adkins Jr.	Director	2/28/2022
/s/ Peter R. Barsz Peter R. Barsz	Director	2/28/2022

SIGNATURE	TITLE	DATE
/s/ Christina A. Cassotis Christina A. Cassotis	Director	2/28/2022
/s/ Michael J. Donnelly Michael J. Donnelly	Director	2/28/2022
/s/ Jeffrey D. Grube Jeffrey D. Grube	Director	2/28/2022
/s/ William J. Hieb William J. Hieb	Director	2/28/2022
/s/ Robert E. Kane Robert E. Kane	Director	2/28/2022
/s/ Frank J. Palermo, Jr. Frank J. Palermo, Jr.	Director	2/28/2022
/s/ Steven J. Weingarten Steven J. Weingarten	Director	2/28/2022

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

S&T Bancorp, Inc., a Pennsylvania corporation, is a financial holding company. The table below sets forth all of our subsidiaries, except certain inactive subsidiaries, as to state or jurisdiction of organization.

Subsidiary	**State or Jurisdiction of Organization**
S&T Bank	Pennsylvania
9th Street Holdings, Inc.	Delaware
S&T Bancholdings, Inc.	Delaware
S&T Insurance Group, LLC	Pennsylvania
S&T Professional Resources Group, LLC	Pennsylvania
S&T-Evergreen Insurance, LLC (sold 1/1/2018)	Pennsylvania
S&T Settlement Services, LLC	Pennsylvania
Stewart Capital Advisors, LLC	Pennsylvania
STBA Capital Trust I	Delaware
Commonwealth Trust Credit Life Insurance Company	Arizona
DNB Capital Trust I	Delaware
DNB Capital Trust II	Delaware
DN Acquisition Company, Inc.	Pennsylvania

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-3 No. 333-258470) of S&T Bancorp, Inc. pertaining to the automatic shelf registration filed August 5, 2021,
2. Registration Statement (Form S-3 No. 333-156555) of S&T Bancorp, Inc. pertaining to the Dividend Reinvestment and Stock Purchase Plan,
3. Registration Statement (Form S-8 No. 333-194083) of S&T Bancorp, Inc. pertaining to the 2014 Incentive Plan filed on February 21, 2014,
4. Registration Statement (Form S-8 No. 333- 258482) of S&T Bancorp, Inc. pertaining to the 2021 Incentive Plan filed on August 5, 2021, and
5. Registration Statement (Form S-8 No. 333-156541) of S&T Bancorp, Inc. pertaining to the Thrift Plan for Employees of S&T Bank;

of our reports dated February 28, 2022, with respect to the consolidated financial statements of S&T Bancorp, Inc. and the effectiveness of internal control over financial reporting of S&T Bancorp, Inc. included in this Annual Report (Form 10-K) of S&T Bancorp, Inc. for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
February 28, 2022

Exhibit 31.1

Certification of Principal Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher J. McComish, certify that:

1. I have reviewed this Annual Report on Form 10-K 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; and

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: February 28, 2022

/s/ Christopher J. McComish

Christopher J. McComish
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark Kochvar, certify that:

1. I have reviewed this Annual Report on Form 10-K 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; and

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: February 28, 2022

/s/ Mark Kochvar

Mark Kochvar
Senior Executive Vice President, Chief 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") Annual Report on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. McComish Chief Executive Officer (Principal Executive Officer) of the Company, and I, Mark Kochvar, Senior Executive Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 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: February 28, 2022

/s/ Christopher J. McComish	/s/ Mark Kochvar
Christopher J. McComish	Mark Kochvar
Chief Executive Officer (Principal Executive Officer)	Senior Executive Vice President, Chief Financial Officer