

S&T BANCORP, INC.
2001 Annual Report

one customer at a time





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Shirley Frye
Director/Owner, Salem
Crossroads Daycare Center
Delmont, Pennsylvania





Dedicated to extraordinary service—
one customer at a time—S&T bankers
know their customers and know how
they can help. In community banking,
for instance, personal bankers are
providing their clients with the planning
tools they need to identify their financial
goals, and matching them with the
products and services designed to get
them there.



With banking services already in place for her growing daycare business, Shirley Frye shifts her focus to personal finances, meeting with Greta McConnell-Gump (left), a personal banker at S&T's Delmont Office. Together, they identify Shirley's borrowing needs, investment opportunities and retirement goals. Their collaboration shapes a realistic strategy designed for a secure financial future—not to mention a "dream vacation" somewhere along the way!





Through Walnut Capital Partners, S&T provided the financing for Lidia's Restaurant, one of the most popular new eateries in Pittsburgh's trendy Strip District. Standing behind Lidia (left to right) are: Andrew Wynn, principal, Walnut Capital Partners, Dave Wagner, the restaurant's co-owner, Gregg Perelman, principal, Walnut Capital Partners, Todd Brice, commercial lending, S&T Bank and Todd Reidbord, principal, Walnut Capital Partners.

For growing businesses and promising start-ups, S&T's experienced commercial loan officers and efficient approval process help business owners and entrepreneurs make their visions a reality.

Lidia Bastianich
Co-Owner, Lidia's Restaurant
Pittsburgh, Pennsylvania





When Mark Lawrence (left), business banking, called on Alan Mikula, of Amish Fine Furniture, it couldn't have been at a better time. Alan was looking for a way to buy out his partner's interest in the firm, and S&T helped make that happen. As the proud sole owner, Alan keeps his business thriving with a wide range of business banking services: commercial loan, commercial line of credit, business checking, savings and money market accounts, and merchant VISA® services.

To help businesses of all sizes meet their profitability targets, S&T offers a wide range of specially tailored cash management services and a growing portfolio of Internet-based solutions.

Alan Mikula
President, Amish Fine Furniture, Inc.
Vandergrift, Pennsylvania





In planning a secure financial future for himself and his family—and in providing his employees with a solid retirement plan—Dr. Shafic Twal works with an experienced team from S&T's Wealth Management Group: (left to right) Malcolm Polley, Karen Hackman, and Jack Bennett, Jr.

Through investment management capabilities, financial planning services, and employee benefit programs, S&T is a reliable partner to businesses and to individual investors at every stage of the financial life cycle.

Taylor Thomas (left)
and Shafic Twal, M.D.,
Pediatric Associates
Indiana, Pennsylvania

S&T's Wealth Management staff helped Dr. Twal identify and plan for his future financial needs and those of his family through retirement, tax planning, and investment management services.





When students from St. Bernard's kindergarten class in Indiana collected donations for a September 11 fund, S&T bankers helped them count the cash.

S&T addresses the special financial and investment concerns of its major customer segments through education-based initiatives, and supports its communities through fund-raising activities and charitable contributions.

Through a series of financial planning conferences, luncheon meetings, and special publications—all part of an education-based initiative “For Women Only”—S&T customers like Barbara Chaffo are better prepared to plan their financial futures, make investment decisions with confidence, and meet the specific challenges facing women today.

Barbara Chaffo
“For Women Only” Luncheon
Monroeville, Pennsylvania



The personal commitment
of S&T bankers means superior
service for every single customer...
one customer at a time.

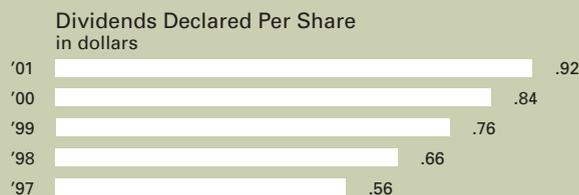
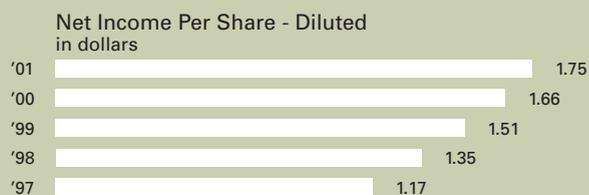
At the Annual All-Employee Meeting in January 2002, S&T bankers celebrated the success of the bank's first 100 years, and looked ahead to the opportunities still to come. Shown above, Jim Miller (left), and John Baun, President of Baun Mortgage Company, guest speaker and long-standing customer, draw the winning ticket for an autographed Pittsburgh Steeler football. S&T bankers, shown at left, hope to be lucky winners.



FINANCIAL HIGHLIGHTS

S&T BANCORP, INC. AND SUBSIDIARIES

| (dollars in thousands, except per share data) | 2001 | 2000 | Change | Change |
|---|--------------|--------------|-----------|--------|
| FOR THE YEAR | | | | |
| Net Income | \$ 47,298 | \$ 44,973 | \$ 2,325 | 5% |
| Return on Average Assets | 2.03% | 2.00% | 0.03% | 2 |
| Return on Average Equity | 16.19 | 17.70 | (1.51) | (9) |
| PER SHARE | | | | |
| Net Income—Basic | \$ 1.76 | \$ 1.67 | \$ 0.09 | 5% |
| Net Income—Diluted | 1.75 | 1.66 | 0.09 | 5 |
| Dividends Declared | 0.92 | 0.84 | 0.08 | 10 |
| Book Value at December 31 | 11.01 | 10.28 | 0.73 | 7 |
| Market Value at December 31 | 24.28 | 21.63 | 2.65 | 12 |
| AT YEAR-END | | | | |
| Assets | \$ 2,357,874 | \$ 2,310,290 | \$ 47,584 | 2% |
| Net Loans | 1,615,842 | 1,577,629 | 38,213 | 2 |
| Deposits | 1,611,317 | 1,525,332 | 85,985 | 6 |
| Shareholders' Equity | 293,327 | 277,097 | 16,230 | 6 |
| Allowance for Loan Losses/Total Loans | 1.64% | 1.71% | (0.07)% | (4) |
| Nonperforming Loans/Total Loans | 0.50 | 0.18 | 0.32 | 178 |



MESSAGE TO OUR SHAREHOLDERS

By any standard of measurement, 2001 was a challenging year. It was a difficult operating environment—marked by unprecedented change in interest rates and a recessionary economy—that tested our organizational strength and flexibility like no other time in recent memory. Against that backdrop, I am particularly gratified to report another year of record earnings, continued growth, and increased shareholder value—a 5% improvement in earnings per share, a 10% increase in the dividend, and a 16% return on equity.

Creating value for shareholders through consistently superior financial performance is the primary focus at S&T. Formalized in our mission statement, that commitment has brought strong results for our investors year after year. Over the past decade, we have continuously performed well against our peer banks in return on assets and equity, growth of earnings per share, and efficiency ratio. Earnings have grown at a compound annual growth rate (CAGR) of 13%, and cash dividends have averaged a CAGR of 18% for each of those years. Total shareholder return for the same period is in excess of 500%.

I AM PARTICULARLY GRATIFIED
TO REPORT ANOTHER YEAR OF
RECORD EARNINGS, CONTINUED
GROWTH, AND INCREASED
SHAREHOLDER VALUE.

We're proud of that track record, and pleased that it earned us a place on the 2001 Honor Roll, published by Keefe, Bruyette & Woods, Inc., a New York-based investment banking firm specializing in financial services companies. For the second consecutive year, we qualified for Honor Roll admission by consistently increasing earnings per share since 1990 regardless of the banking environment. Of the 138 banking companies in KBW's active research universe, only 13 of us could meet that criterion.

GROWTH STRATEGIES

Our industry is rapidly shifting into a "barbell" configuration, with large banking institutions at one end of the spectrum and a multitude of very small banks at the other. S&T is positioned in the middle of that range, in a very favorable strategic niche—large enough to provide the sophisticated products and services demanded by today's customer, but small enough to provide high-quality, high-touch, personal service. We are taking full advantage of that position by applying advanced electronic technologies to increase customer access and convenience, while continually enhancing the skills of our bankers to foster ongoing, in-depth customer relationships in community banking, wealth management, business banking, and commercial lending.

In meeting the challenges of commodity-like pricing for many traditional banking products and escalating pressure on margins, we are evolving into a full-service financial provider. A major milestone in facilitating that evolution was the recent Federal Reserve approval of S&T Bancorp as a financial holding company. Because of this new classification, and the streamlined approval process it ensures, we can accelerate our expansion into non-traditional banking activities like insurance and brokerage services, and significantly expand our revenue stream beyond net interest income. Over the past five years, noninterest income, excluding security gains, has increased by 14% CAGR, and now, with our financial holding company status, we are well-positioned for further improvement. Noninterest income currently accounts for 18% of our revenue, and we intend to increase that to 25% by 2004. We are on track to reach that goal, and, in 2001, noninterest income, excluding security gains, climbed to a record high, increasing by 14%, year over year.

BUSINESS OPPORTUNITIES

In every line of business, we are pursuing substantial opportunities and leveraging our customer relationships to accelerate growth.

- Our community banking strategy is designed not only to attract new customers, but also to increase the number of services we provide to each customer household. To meet these objectives, we are steadily expanding our network of branch offices and financial services centers—adding new facilities like the one opened in Murrysville last year. We are continually investing in advanced technologies to provide 24/7 customer convenience through alternative delivery channels, and constantly enhancing the skills of our personal bankers. They are the linchpins in positioning S&T as a true partner to consumers and business customers, and underscoring our value not only as a banking institution, but also as an educational and financial advisory resource. Through personal one-on-one service, online and telephone banking, and special initiatives designed to address the financial concerns of major market segments, we are meeting the financial needs of our customers, according to their own priorities of where, when, and how.
- We believe our service-oriented approach and efficient approval process are key factors in the continuous growth of our commercial loan business. Over the past five years, new high-quality commercial loans have increased at a compound annual growth rate of 12%. Future growth will be driven by continuously increasing referrals from S&T bankers throughout our organization, and by long-term relationships between our 2,000 commercial loan customers and our experienced cadre of commercial loan officers, whose average tenure with us is 14 years.

James C. Miller (left)
and Robert D. Duggan



- In the wealth management business, we are overlaying our well-established capabilities in financial and estate planning with a substantially strengthened investment component. We've launched aggressive outreach initiatives to position S&T as a reliable partner to investors at all stages of their financial life cycle, with special emphasis on the mass affluent segment. We have improved our capability as an investment specialist, adding powerful new software and new research sources, and adopting a philosophy of "open architecture" to provide the best available solution package for specific client objectives, not only through our own proprietary products and services, but also through those of external suppliers. All of our financial advisors are currently enrolled in Certified Financial Planner training, which will be extended to our Wealth Management Group sales officers and relationship managers in 2002 to augment their already extensive experience in trust and estate planning. In addition, we are expanding our corps of brokerage representatives to take full advantage of increased opportunities in the investment marketplace.

IN MOVING FORWARD, OUR

FOCUS WILL REMAIN

UNCHANGED: SUPERIOR

FINANCIAL PERFORMANCE AND

CONSISTENT VALUE CREATION

- We believe insurance products represent a substantial opportunity for us by rounding out our products and services package to provide comprehensive solutions for all of our customers' financial needs. With the formation of the S&T Insurance Group in 2000, we laid the groundwork to expand our insurance-related activities, which included credit and mortgage life and disability protection. In 2001, we added commercial title insurance to our portfolio, and over the long term, we intend to expand this business to ultimately offer the most extensive product line available. We are currently evaluating potential acquisitions in the property and casualty insurance area.

- S&T Investment Company continues to be a significant contributor to core earnings. This wholly owned subsidiary has a \$112 million equity securities portfolio with unrealized gains of \$42 million. Fees, dividends, and realized security gains generated by this company produced 18% of bank earnings over the past five years. Strategically, S&T Investment Company also represents an untapped pool of capital for future growth and acquisitions of both banking and nonbanking organizations.

2001 FINANCIAL HIGHLIGHTS

Net income and earnings per share reached record levels in 2001, each increasing 5% year over year. Net income climbed to \$47.3 million from \$45.0 million in the previous year, and earnings per share increased to \$1.75 from \$1.66 in 2000.

Deposit growth was particularly strong throughout 2001, increasing \$86.0 million or 6% over the previous year. Loans increased \$37.7 million or 2% for the year, despite a substantial contraction in volume during the second half of 2001 as the economy slowed. Combined with an unprecedented drop in short-term interest rates, this economic slowdown had a negative impact on net interest income, which was essentially on par with the previous year.

Noninterest income, however, increased \$6.1 million or 28% as compared to 2000. Other fees increased \$2.6 million or 14%, with particularly strong performances in mortgage banking, equity calls, debit/credit cards and letters of credit fees. Equity security gains for 2001 were \$6.8 million.

Total assets approximated \$2.4 billion at December 31, 2001, a slight increase from December 31, 2000. Return on assets and return on equity for 2001 were 2.03% and 16.19%, respectively. Excluding the effects of unrealized gains in the investment portfolios, return on equity was 18.42%.

Asset quality measurements for 2001 reflected the recessionary economic environment. Nonperforming assets totaled \$10.0 million or 0.42% of total assets at December 31, 2001, as compared to \$3.4 million or 0.15% at the end of 2000. Provision for loan losses was \$5.0 million in 2001, up from \$4.0 million in the previous year. Loan loss reserve at year-end 2001 was \$26.9 million or 1.64% of total loans, slightly down from \$27.4 million or 1.71% at year-end 2000.

MOVING FORWARD

As S&T Bank celebrates its 100th Anniversary in 2002, we plan to do so with advertising and product promotions that emphasize the bank's commitment to servicing its communities one customer at a time. Although we look forward to these celebrations, we also expect the year will be as challenging as any year during the last century. But during our 100-year history, we have stood strong during peacetime and war, economic prosperity and adversity, technological change and political upheaval. We are confident in our ability to effectively respond to whatever this uncertain economic and political environment might present because of our financial strength, market reputation, operations infrastructure, organizational flexibility, and—perhaps most of all—because of the diligence and resolve of our people. To support their efforts, we are committed to a stimulating and team-oriented environment that develops and rewards excellence. And because that is such a priority, we are very pleased that, for the second consecutive year, S&T Bank was selected in a competition spearheaded by the Pennsylvania Department of Community and Economic Development as one of the Best Places to Work in Pennsylvania.

Our Board of Directors continued to provide exceptional guidance and direction throughout 2001, and our management team was strengthened with the promotion of David G. Antolik to senior vice president, commercial lending, and the appointment of Thomas E. Kiral as managing director of the S&T Insurance Group.

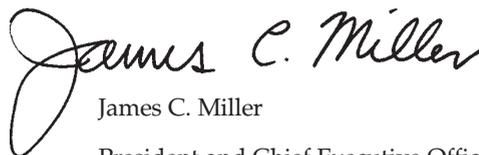
In moving forward, our focus will remain unchanged: superior financial performance and consistent value creation—as we balance the needs of our shareholders, customers, communities, and staff. This is what made us successful in the last 100 years, and what we believe will make us successful in the 100 years ahead.

Sincerely,



Robert D. Duggan

Chairman



James C. Miller

President and Chief Executive Officer

OPERATIONS REVIEW

Through a strong combination of one-to-one personal service and a wide range of alternative delivery channels, S&T Bank continued to broaden its customer base in 2001 and deepen its financial relationships with more than 90,000 consumer households and businesses in Allegheny, Armstrong, Clarion, Clearfield, Indiana, Jefferson, and Westmoreland Counties.

Deposit growth was particularly strong, with core deposits increasing \$86.0 million, or 6% over the previous year. Fee revenue also continued to climb, primarily driven by increases in mortgage banking, debit/credit card activity, letters of credit fees, equity calls, and wealth management products and services. Despite a

difficult economic and interest rate environment, the bank achieved record earnings in 2001, and significantly increased shareholder value—a 5% improvement in earnings per share, a 10% increase in the dividend and a 16% return on equity.

COMMUNITY BANKING

To strengthen and expand its community banking network, S&T opened its 40th office—and fourth financial services center—in Murrysville, Pa., in September 2001. The new 4,000-square-foot facility offers the bank's entire line of products and services, and brings a broad array of investment choices to businesses and consumers in this fast-growing geographic market.

Dedicated, personal service for “the customer of one” reached higher levels in

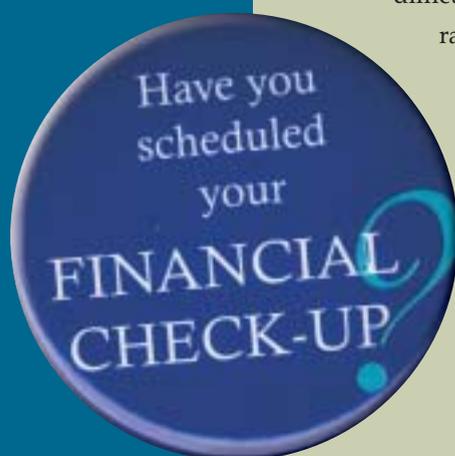


2001 when all personal bankers completed a new specialized training program that enhanced their competence as financial advisors, and provided new financial planning tools for assisting customers in meeting credit, investment, retirement and educational goals. Personal bankers are now offering free annual financial check-ups, including a completely confidential review of borrowing needs, along with a savings and investment evaluation that also includes assessments of financial requirements for the education of their children and grandchildren, and for their own secure retirement.

LOAN SUPPORT CENTER

Consolidation, reorganization, and new technologies in the consumer and commercial loan areas improved operational efficiencies, eliminated redundancies, and enhanced service levels:

- All consumer and commercial loan processing and servicing functions were reorganized and consolidated into one single Loan Support Center, and a centralized Help Desk was established to handle all research requirements for both consumer and commercial loans.
- Document imaging was adopted to reduce costs and improve efficiencies by



digitizing loan forms and making them readily available on the desktop.

- Centralization and automation of consumer loan underwriting, using a rules-based decisioning method, reduced average response time to only eight minutes.

BUSINESS BANKING

Through personal service, long-term relationships, and a broad range of products and services—designed to help businesses of all sizes meet their strategic goals—S&T Bank continued to increase its participation in the business sector throughout 2001. Over the past five years, new high-quality commercial loans have increased at a compound annual growth rate of 12%. And, although the economic slow-down of the past year caused many businesses to postpone expansion plans and capital programs, the bank's average commercial loan portfolio continued to grow, increasing 12% over 2000. Cash management services also continued to grow steadily, with an average fee income increase of 10% in 2001, as compared to the previous year, and an overall increase of 42% over the past five years.



Online banking capabilities were expanded in 2001 with the introduction of two new Internet-based products for business applications.

Business Connect™ is a comprehensive automation solution designed to help

business customers save time and money by seamlessly integrating company information for easy and secure access and increased efficiencies in data management, reducing the labor intensity associated with form and document usage, and improving internal communications.

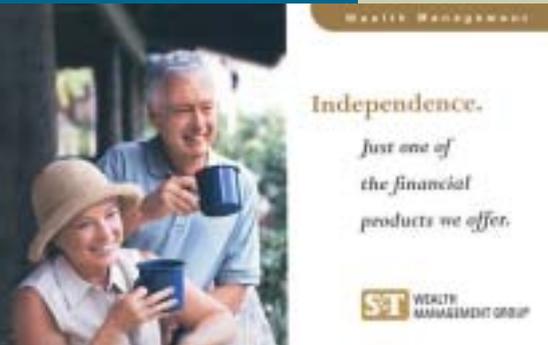
Express Merchant, piloted in 2001, allows business owners to build and maintain their own Web sites, hosted by S&T Bank, and to sell products online in a secure environment, via credit cards. Training, support, and customized Web site development are also provided.



WEALTH MANAGEMENT

Focused on the financial success of each individual client at every stage of the financial life cycle, S&T's Wealth Management Group continued to generate solid growth in noninterest income throughout the year. Service revenue from investment management, trusts and estates, IRAs, and employee benefit services increased 8%, as compared to 2000. The negative impact of a recessionary economy on the traditional discount brokerage





solutions¹, fixed income annuity products¹, and variable universal life policies¹. Consequently, brokerage service fees increased 18%, year over year. Overall, the Wealth Management Group generated \$5 million in fee revenue in 2001 with the total market value of assets under management reaching approximately \$780 million at year-end.

Customer service—from the first point of contact—was significantly improved through enhanced communication efforts, restructuring administrative teams, standardizing of calling protocols and balancing per capita account loads. In addition, the allocation of sales resources was significantly improved by the introduction of a centralized referral process.

With the addition of two new portfolio managers and another research assistant, investment capabilities have been enhanced significantly. An Investment Policy and Strategy Committee was created involving all portfolio managers and research staff in the decision-making process. The committee is chaired by Malcolm E. Polley, who joined S&T in May 2001 as vice president and chief investment officer, responsible for asset management, research, performance evaluation, and asset allocation strategies.

Research capabilities were significantly enhanced through expanded access to external research sources such as

business¹ was more than offset by substantial gains in mutual fund sales¹, together with the addition of new product offerings, including alternative 401(k)

Bloomberg[®], Morningstar[®], Northern Trust[®], and Wall Street Transcripts[®], which include a broad range of analyst and CEO interviews. In addition, all portfolio managers' PCs were equipped with sound cards and video cards to allow direct participation in corporate earnings teleconferences via the Internet.

To enhance communications with clients of the Wealth Management Group Select unit, established the previous year for clients with accounts of \$150,000 or less, regularly scheduled investment teleconferences were initiated, and a seminar series was launched, with initial programs held in DuBois, Indiana, and Punxsutawney. Topics included the economic environment, investment strategies and asset allocation, basic estate planning and recent tax law changes.

Targeted to a broader audience of clients, prospects, and other professionals, a similar series was rolled out in DuBois, Indiana, and Plum Boro, and a monthly newsletter was launched in May 2001. With a circulation of 1,600—and growing—*Insight* addresses a variety of investment and economic issues, and is now posted monthly on the S&T Bank Web site. In addition, Wealth Management has begun sponsoring a daily stock market report on local radio. This timely update is prepared and delivered by S&T's investment professionals, who reach an audience of up to 80,000 residents in Indiana and surrounding areas.





Sponsorship of cultural events held at Indiana University of Pennsylvania (IUP) was also initiated in 2001 to increase visibility of the Wealth Management Group in its major demographic segments and to enhance client relationships. Similar activities are planned in other S&T communities throughout the bank's marketing area.

S&T INSURANCE GROUP, LLC

In July 2001, Tom Kiral was appointed managing director of the S&T Insurance Group, LLC, responsible for the development, integration, and management of all S&T insurance-related activities. These currently include credit and mortgage life and disability protection, as well as commercial title insurance, which had been added to the product roster early in 2001. Future plans call for the acquisition of property and casualty insurance agencies to bring additional value-added products and services to new and existing customers.

SERVICE TO THE COMMUNITY

S&T's ongoing commitment to the communities it serves is demonstrated every year by loans to municipalities and non profit organizations, and by partnering with local housing authorities to provide affordable housing for low-income families and senior citizens. It's also illustrated by

the time and talent contributions of S&T bankers, who serve on the boards of local charities, hospitals, and schools; on church and civic committees, on economic development councils, in volunteer fire departments, and in local government. In October 2001, they widened their circle of caring to include victims of the September 11 tragedy and their families by establishing the S&T Helping Hands Fund. Their donations were matched by the bank.

In addition, the S&T Charitable Foundation committed or contributed more than \$325,000 to qualified charitable organizations, including cultural and educational institutions, healthcare providers, local safety forces, and social service agencies.



And, with the generous support of many businesses and local organizations, the Fourth Annual S&T Bank Charity Golf Classic raised its four year total to over \$85,000 for

charitable organizations nominated by S&T bankers.

¹ Securities are offered exclusively through Raymond James Financial Services, Inc., Member NASD/SIPC, an independent broker/dealer, and are not FDIC insured, not guaranteed by the Financial Institution, subject to risk, and may lose value. Raymond James Financial Services, Inc. is not affiliated with S&T Bank; S&T Insurance Group, LLC; or S&T Wealth Management Group.

S&T BANCORP EXECUTIVE MANAGEMENT



David G. Antolik
Senior Vice President
Commercial Lending



Todd D. Brice
Senior Vice President
Commercial Lending



Richard A. Fiscus
Senior Vice President
Branch Administration



D. Kathleen Greenwell
Senior Vice President
Employee Services



Edward C. Hauck
Executive Vice President
Administration and
Planning



Thomas Kiral
Managing Director
S&T Insurance Group, LLC



H. William Klumpp
Senior Vice President
Marketing



Mark Kochvar
Senior Vice President
and Treasurer



David L. Krieger
Executive Vice President
Commercial Lending



James C. Miller
President and
Chief Executive Officer



Robert E. Rout
Executive Vice President,
Chief Financial Officer
and Secretary



David P. Ruddock
Senior Vice President
Operations and
Technology



J. Jeffrey Smead
Executive Vice President
Credit Administration



Gregor T. Young IV, J.D.
Executive Vice President
and Managing Director
Wealth Management Group

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ORGANIZATION
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OUR MISSION

To achieve consistent superior financial performance which creates value for our shareholders by:

Identifying and satisfying customer needs with quality services and products which exceed their expectations;

Providing a stimulating and challenging team-oriented work environment which encourages, develops, and rewards excellence;

Diligently serving our communities with integrity and pride.



100 years, One customer at a time.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

S&T Bancorp, Inc. and Subsidiaries

FINANCIAL CONDITION

The \$49.0 million growth of average earning assets in 2001 was primarily the result of continued growth in lending activities for S&T Bancorp, Inc. During 2001, average loan balances increased by \$91.0 million, and average securities and federal funds decreased \$42.0 million. The funding for

this loan growth was primarily provided by a \$100.4 million increase in average deposits, an increase of \$38.0 million in average earnings retained and a \$42.0 million decrease in average securities and federal funds, offset by a \$68.5 million decrease in average borrowings.

| Loans (in millions) | 2001 | | 2000 | |
|-------------------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Average Loan Balance | Loan Balance Percentage | Average Loan Balance | Loan Balance Percentage |
| Commercial, mortgage and industrial | \$1,104.2 | 67% | \$ 983.7 | 64% |
| Residential real estate mortgage | 451.8 | 28 | 470.3 | 30 |
| Installment | 83.9 | 5 | 94.9 | 6 |
| Total | \$1,639.9 | 100% | \$1,548.9 | 100% |

LENDING ACTIVITY

Average loans at December 31, 2001 were \$1.6 billion, a \$91.0 million or 5.9% increase from December 31, 2000. The increases in average loans for 2000 were \$127.0 million. Changes in the composition of the average loan portfolio during 2001 included increases of \$121.2 million of commercial loans and \$3.6 million of home equity loans, offset by decreases of \$22.8 million of residential mortgages and \$11.0 million in installment loans. Composition changes included decreases from the effects of \$32.6 million of 1-4 family mortgage loans and \$2.3 million of commercial loans that were sold or participated in 2001.

Average commercial, mortgage and industrial loans currently comprise 67% of the loan portfolio. Although commercial loans can be an area of higher risk, management believes these risks are mitigated by limiting concentrations and a rigorous underwriting review by loan administration.

Residential mortgage lending continued to be a strategic focus for 2001 through the establishment of a centralized mortgage origination department, product redesign, secondary market activities and the utilization of commission compensated originators. Management believes that if a downturn in the local residential real estate market occurs, the impact of declining values on the real estate loan portfolio will be negligible because of S&T's conservative mortgage lending policies for portfolio loans which generally require a maximum term of 20 years for fixed rate mortgages, a maximum term of 30 years for adjustable rate mortgages and private mortgage insurance for loans with less than a 20% down payment. Adjustable rate mortgages with repricing terms of one, three and five years comprised 16% of the residential mortgage portfolio in 2001.

Most of the decline in average residential loans was due to more active participation in the secondary mortgage markets. S&T periodically designates specific loan

originations, generally longer-term, lower-yielding 1-4 family mortgages, as held for sale and sells them to the Federal National Mortgage Association (FNMA). The intent of these sales is to mitigate interest rate risk associated with holding long-term residential mortgages in the loan portfolio, generate fee revenue from servicing, and maintain the primary customer relationship. During 2001, S&T sold \$32.6 million of 1-4 family mortgages to FNMA. Fees and gains from mortgage servicing activities were \$1.0 million in 2001. S&T will continue to sell longer-term loans to FNMA in the future on a selective basis, especially during periods of lower interest rates.

Installment loan decreases were primarily associated with significantly lower volumes in the indirect auto loan category and S&T's strategy to continue to focus resources toward the origination of direct installment loans and home equity loans. Pricing pressures were unusually intense in the indirect auto loan market during the last few years, and the decision was made in the fourth quarter of 1998 to allow the portfolio to amortize through normal payments and payoffs. The balance of indirect auto loans and leases at December 31, 2001 was \$1.6 million. Home equity loans increased \$3.6 million during 2001 as compared to 2000.

Loan underwriting standards for S&T are established by a formal policy administered by the S&T Bank Credit Administration Department, and are subject to the periodic review and approval of the S&T Bank Board of Directors.

Rates and terms for commercial real estate and equipment loans normally are negotiated, subject to such variables as economic conditions, marketability of collateral, credit history of the borrower and future cash flows. The loan to value policy guideline for commercial real estate loans is generally 75%-80%.

The residential, first lien, mortgage loan to value policy guideline is 80%. Higher loan to value loans may be approved with the appropriate private mortgage insurance coverage.

Second lien positions are sometimes assumed with home equity loans, but normally only to the extent that the combined credit exposure for both first and second liens does not exceed 100% of the loan value.

A variety of unsecured and secured installment loan and credit card products are offered by S&T. However, the majority of the installment loan portfolio consists of vehicle loans. Loan to value guidelines for direct loans are 90%–100% of invoice for new automobiles and 80%–90% of National Automobile Dealer Association (NADA) value for used automobiles.

Management continues to pursue quality loans in all lending categories within our market area in order to honor our commitment to provide comprehensive financial services to our customers. S&T's loan portfolio primarily represents loans to businesses and consumers in our market area of western Pennsylvania rather than to borrowers in other areas of the country or to borrowers in other nations. S&T has not concentrated its lending activities in any industry or group. During the past several years, management has concentrated on building an effective credit and loan administration staff to assist in evaluating loans before they are made and to identify problem loans early.

SECURITY ACTIVITY

Average securities decreased \$48.5 million in 2001 (not including the \$27.8 million increase in unrealized gains), and increased \$5.9 million in 2000. The 2001 decrease is attributable to utilizing funds from maturities and calls of securities to fund loan growth, maturing debt and the early repayment of \$50 million of callable long-term debt with the Federal Home Loan Bank in August. A prepayment penalty of \$2.9 million (\$1.9 million after-tax) was incurred on this early repayment which is recorded as an extraordinary charge in the statement of income. The loss was offset by gains on the sale of available for sale U.S. agency securities, which is reported as security gains in the statement of income. This strategy was implemented in order to mitigate some balance sheet sensitivity to declining rates. Interest rate risk associated with these strategies is managed and monitored through S&T's Asset Liability Committee (ALCO).

The largest components of the 2001 decrease included \$4.1 million in U.S. treasury securities, \$97.9 million of U.S. government agency securities, \$3.0 million in tax-exempt state and municipal securities, \$1.4 million in corporate equities and \$16.2 million in Federal Home Loan Bank (FHLB) stock. The amount of S&T's investment in FHLB stock depends upon S&T's borrowing levels from the FHLB. Offsetting these decreases are increases of \$67.4 million of mortgage-backed securities and \$6.7 million of corporate equities.

During 2001, S&T sold \$41.2 million of equity securities classified as available for sale. The sales were made to maximize returns when market opportunities were presented. Additionally, S&T may receive an exchange of shares relative to mergers; gains and losses are recognized on shares held of acquired institutions in accordance with Emerging Issues Task Force #91-5, Nonmonetary Exchange of Cost-Method Investments (EITF 91-5). The equity securities portfolio is primarily comprised of bank holding companies, as well as preferred and utility stocks to take advantage of the dividends received deduction for corporations. During 2001, the equity portfolio yielded 7.9% on a fully taxable equivalent basis and had unrealized gains at December 31, 2001, net of unrealized losses, of \$42.3 million.

S&T's policy for security classification includes U.S. treasuries, U.S. government agencies, mortgage-backed securities, collateralized mortgage obligations, municipal securities, corporate securities and marketable equity securities as available for sale. Fifteen municipal securities are classified as held to maturity. At December 31, 2001, unrealized gains, net of unrealized losses, for securities classified as available for sale were approximately \$51.5 million.

NONEARNING ASSETS

Average noninterest earning assets increased \$2.2 million in 2001 and \$9.1 million in 2000. The 2001 increase can be primarily attributable to an increase in cash and due from banks and in accrued interest receivable on a higher earning asset balance. The 2000 increase can be primarily attributed to a \$25.0 million bank-owned life insurance (BOLI) investment entered into during June of 1999, which provides S&T with other income through increases in the cash surrender value of the BOLI.

| Allowance for Loan Losses (in millions) | 2001 | | 2000 | |
|---|-------------------|-------------------------|-------------------|-------------------------|
| | Allowance Balance | Loan Balance Percentage | Allowance Balance | Loan Balance Percentage |
| Commercial, mortgage and industrial | \$23.0 | 67% | \$18.8 | 64% |
| Residential real estate mortgage | 0.7 | 28 | 0.9 | 30 |
| Installment | 3.1 | 5 | 2.8 | 6 |
| Unallocated | 0.1 | — | 4.9 | — |
| Total | \$26.9 | 100% | \$27.4 | 100% |

ALLOWANCE FOR LOAN LOSSES

The balance in the allowance for loan losses decreased slightly to \$26.9 million or 1.64% of total loans at December 31, 2001 as compared to \$27.4 million or 1.71% of total loans at December 31, 2000.

The adequacy of the allowance for loan losses is determined by management through evaluation of the loss exposure on individual nonperforming, delinquent and high-dollar loans; review of economic conditions and business trends; historical loss experience; and growth and composition of the loan portfolio, as well as other relevant factors.

A quantitative analysis is utilized to support the adequacy of the allowance for loan losses. This analysis includes review of the high and low historical charge-off rates for loan categories, fluctuations and trends in the amount of classified loans and economic factors. Economic factors consider the level of S&T's historical charge-offs that have occurred within the credits' economic life cycle.

Significant to this analysis is the shift in loan portfolio composition to an increased mix of commercial loans. These loans are generally larger in size, and due to our continuing growth, many are not well seasoned. Management relies on its risk rating process to monitor trends which may be occurring relative to commercial loans to assess potential weaknesses within the credit. Current economic factors and trends in risk ratings are considered in the determination and allocation of the allowance for loan losses. During 2001, the risk rating analysis of the portfolio remained relatively stable.

Beginning in 2001, generally all of the allowance was allocated to the various loan types. An insignificant amount of unallocated allowance exists at year-end and reflects the inherent imprecision in loan loss migration models. Management anticipates that future unallocated portions of the allowance will remain insignificant.

Management believes its quantitative analysis and risk rating process is sufficient and enables it to conclude that the total allowance for loan losses is adequate to absorb probable loan losses.

Net loan charge-offs totaled \$5.5 million in 2001 and \$3.7 million in 2000. The balance of nonperforming loans, which includes nonaccrual loans past due 90 days or more, at December 31, 2001, was \$8.3 million or 0.50% of total loans. This compares to nonperforming loans of \$2.9 million or 0.18% of total loans at December 31, 2000. Other real estate owned increased by \$1.2 million in 2001 to \$1.7 million primarily as a result of a manufacturing facility acquired through foreclosure. Management believes that this facility has been adjusted to its lower of cost or fair value less estimated cost of resale. A sale is pending for the facility.

DEPOSITS

Average total deposits increased by \$100.4 million in 2001 and \$78.6 million in 2000. The mix of average deposits changed in 2001 with time deposits increasing \$68.9 million, money market accounts and interest-bearing demand deposits increased \$27.5 million, offset by savings account decreases of \$7.5 million. Noninterest-bearing deposits increased by \$11.5 million or 5% in 2001 and were approximately 15% of total deposits during 2001 and 2000, respectively. Some of the changes can be partially explained by strategic initiatives to increase demand accounts and cash management services. In addition, a competitive strategy for money market account pricing was implemented in order to make these accounts more competitive with money funds offered at brokerage firms.

Management believes the S&T deposit base is stable and S&T has the ability to attract new deposits, mitigating a funding dependency on volatile liabilities. Special rate deposits of \$100,000 and over were 7% and 8% of total deposits during 2001 and 2000, respectively, and primarily represent deposit relationships with local customers in our market area. In addition, S&T has the ability to access both public and private markets to raise long-term funding if necessary. At December 31, 2001, there were \$10.2 million of brokered retail certificates of deposit outstanding.

BORROWINGS

Average borrowings decreased \$76.0 million in 2001 and were comprised of securities sold under repurchase agreements (REPOS), federal funds purchased and long-term borrowings at the FHLB. S&T defines REPOS with its retail customers as retail REPOS; wholesale REPOS are those transacted with other banks and brokerage firms with terms normally ranging from one to 14 days.

The average balance in retail REPOS decreased by \$14.7 million for 2001 and \$7.4 million for 2000. S&T views retail REPOS as a relatively stable source of funds since most of these accounts are with local, long-term customers.

Wholesale REPOS and federal funds purchased averaged \$11.1 million in 2001, a decrease of \$10.1 million from the 2000 averages. The increase in core deposits reduced the usage of REPO type fundings in 2001.

The interest rate risk of various funding strategies is managed through ALCO. As previously noted, during the third quarter of 2001, S&T incurred a one-time extraordinary charge of \$2.9 million, \$1.9 million after-tax, as a prepayment penalty on the early repayment of \$50 million of callable long-term debt with the FHLB.

During 2001, average fixed-rate borrowings decreased \$43.7 million. At December 31, 2001, S&T had long-term borrowings outstanding of \$160.6 million at a fixed-rate with the FHLB and \$90.6 million of fixed-rate long-term repurchase agreement borrowings. The purpose of these borrowings was to provide matched fundings for newly originated loans, to mitigate the risk associated with volatile liability fundings, to take advantage of lower cost funds through the FHLB's Community Investment Program and to fund stock buy-backs.

RESULTS OF OPERATIONS

Year Ended December 31, 2001

NET INCOME

Net income was a record \$47.3 million or \$1.75 per diluted earnings per share, inclusive of a one-time extraordinary charge of \$.07 per share in 2001, representing a 5% increase from the \$45.0 million or \$1.66 per diluted earnings per share in 2000. The return on average assets increased to 2.03% for 2001, as compared to 2.00% for 2000. The return on average equity decreased to 16.19% for 2001, compared to 17.70% for 2000. Without the equity effects of unrealized gains on the available for sale investment portfolio, return on average equity would have been 18.40% and 19.00% in 2001 and 2000, respectively. The unprecedented drop in short-term interest rates, along with the effects of a slowing economy on delinquencies and loan demand, caused net interest income to be essentially flat on a year-to-year basis. In addition, a one-time pretax extraordinary loss of \$2.9 million (\$1.9 million after-tax, or \$.07 per share) was incurred on the early repayment of \$50.0 million of long-term debt. The compression in net interest income, and the extraordinary loss, were mitigated to some extent by strong noninterest income performance.

NET INTEREST INCOME

On a fully taxable equivalent basis, net interest income decreased \$0.2 million for 2001 compared to 2000. The net yield on interest-earning assets decreased to 4.29% in 2001 as compared to 4.40% in 2000. The decline in the net yield on interest-earning assets during 2001 was primarily attributable to the unprecedented reduction in short-term interest rates during the year. During 2001, declining interest rates and a relatively flat yield curve created limited opportunities for securities leveraging programs. Excess funds from deposit growth and called securities were utilized to pay-down borrowings until better yielding opportunities are presented. Part of our strategy to modify this sensitivity was the aforementioned early repayment of some callable long-term debt in the third quarter of 2001.

WEALTH MANAGEMENT ASSETS

The year-end market value balance of the S&T Bank Wealth Management Group assets, which are not accounted for as part of the assets of S&T, decreased 4% in 2001 and 1% in 2000. The 2001 and 2000 decreases were primarily a result of general decreases in the debt and equity markets during the year.

In 2001, average loans increased \$91.0 million and average securities decreased \$48.5 million. The yields on average loans decreased by 69 basis points and the yields on average securities decreased 102 basis points. Overall funding costs decreased 59 basis points. During 2001, \$210.6 million of U.S. agency securities were called causing reinvestment into lower yielding securities and the aforementioned reduction in securities leveraging programs.

Average interest-bearing deposits provided \$88.9 million of the funds for the growth in average earning assets, at a cost of 3.96% in 2001 as compared to 4.51% in 2000. The cost of repurchase agreements and other borrowed funds decreased 41 basis points to 5.75%.

Positively affecting net interest income was a \$28.5 million increase in average net free funds. Average net free funds are the excess of demand deposits, other noninterest-bearing liabilities and shareholders' equity over nonearning assets.

Maintaining consistent spreads between interest-earning assets and interest-bearing liabilities is very significant to S&T's financial performance since net interest income comprised 74% of operating revenue. The level and mix of earning assets and funds are continually monitored by ALCO in order to mitigate the interest rate sensitivity and liquidity risks of the balance sheet. A variety of asset/liability management strategies were successfully implemented, within prescribed ALCO risk parameters, that enabled S&T to maintain a net interest margin consistent with historical levels.

PROVISION FOR LOAN LOSSES

The provision for loan losses is an amount added to the allowance against which loan losses are charged. The provision for loan losses was \$5.0 million and \$4.0 million for 2001 and 2000, respectively. The provision expense is the result of management's assessment of economic conditions, credit quality statistics, loan administration effectiveness and other factors that would have an impact on probable losses in the loan portfolio, as determined by the model for the adequacy of the allowance for loan losses.

Credit quality statistics are an important factor in determining the amount of provision expense. Net loan charge-offs totaled \$5.5 million for 2001 compared to \$3.7 million for 2000. Included in the net loan charge-offs is an additional \$1.8 million write-down during the fourth quarter of 2001 for two manufacturing loans that were placed in nonperforming status and partially charged-off during the third quarter. An additional charge was made to reflect the fair market value decline of the collateral during this period of economic recession. Nonperforming loans to total loans increased to 0.50% at December 31, 2001 from 0.18% at December 31, 2000. Also affecting the amount of provision expense is loan growth and portfolio composition. Most of the loan growth in 2001 and 2000 is attributable to larger-sized commercial loans.

NONINTEREST INCOME

Noninterest income, excluding net security gains, increased \$2.6 million or 14% in 2001 compared to 2000. Increases included \$0.5 million or 7% in service charges and fees and \$1.7 million or 23% increase in other income and \$0.4 million or 9% in wealth management fees. Security gains totaled \$9.7 million in 2001. S&T recognized \$6.8 million of gains on equity securities during 2001. \$0.4 million was the result of Emerging Issues Task Force #91-5, Nonmonetary Exchange of Cost-Method Investments (EITF 91-5). This accounting pronouncement requires the mark to market of equity securities when an acquisition of the company in which securities are owned occurs. EITF 91-5 gains recognized were all attributable to the Texaco/Chevron merger. The remaining security gains were primarily attributable to the sales of equity securities in order to maximize returns by taking advantage of market opportunities when presented.

S&T Investment Company continues to be a stable earnings contributor despite the volatility in the stock markets. The equity portfolio currently has a market value of \$112.3 million that includes \$42.3 million of unrealized gains. The available for sale bond portfolio gains of \$2.9 million were taken on the sale of \$62.0 million of callable U.S. agency securities, classified as available for sale, as part of a strategy to reduce optionality in the securities and long-term debt positions.

The increase in service charges on deposit accounts was primarily the result of management's continued effort to implement reasonable fees for services performed and to manage closely the collection of these fees, as well as expanding new cash management relationships.

Other income increased as a result of increased activity related to letters of credit fees, equity call fees, merchant and debit card commissions as well as mortgage banking. These areas were the focus of several strategic initiatives and product enhancements implemented in order to expand this source of revenue.

NONINTEREST EXPENSE

Noninterest expense increased \$1.3 million or 3% in 2001 compared to 2000. The increase is primarily attributable to increased employment, occupancy and equipment and data processing, offset by a decrease of \$0.8 million in other expenses. S&T's efficiency ratio, which measures noninterest expense as a percent of recurring noninterest income plus net interest income on a fully taxable equivalent basis, was 41% in 2001 and 2000, respectively.

Staff expense increased 7% or \$1.6 million in 2001. The increase resulted from normal merit increases, strategic staffing increases and higher benefit plan costs during 2001. Average full-time equivalent staff was 675 in 2001 and 661 in 2000. Staffing increases are primarily related to expansion of mortgage banking, brokerage, wealth management and retail banking functions.

Occupancy and equipment expense increased 6% or \$0.4 million as compared to 2000. This increase is primarily attributable to the opening of a new regional office in Allegheny County, expanded operations and administrative facilities and higher energy and maintenance costs. Data processing increased 6% or \$0.2 million in 2001 as compared to 2000.

Other expenses decreased 6% or \$0.8 million as compared to 2000. This decrease is primarily attributable to a decrease in legal expenses due to legal costs associated with increased loan collection activities and the formation of S&T Insurance Group, LLC in 2000. Other expense increases were not significant and reflect normal changes due to activity increases, organization expansion and fee increases from vendors.

FEDERAL INCOME TAXES

Federal income tax expense increased \$1.5 million to \$19.0 million in 2001 primarily as a result of a higher effective tax rate in 2001. The 2001 effective tax rate of 29% was below the 35% statutory tax rate due to the tax benefits resulting from tax-exempt interest, excludable dividend income and the tax benefits associated with Low Income Housing Tax Credit (LIHTC) projects. S&T currently does not incur any alternative minimum tax.

RESULTS OF OPERATIONS

Year Ended December 31, 2000

NET INCOME

Net income was \$45.0 million or \$1.66 per diluted earnings per share in 2000, representing a 9% and 10% increase, respectively, from the \$41.4 million or \$1.51 per diluted earnings per share in 1999. The return on average assets increased to 2.00% for 2000, as compared to 1.95% for 1999. The return on average equity increased to 17.70% for 2000, compared to 16.50% for 1999. Without the equity effects of unrealized gains in the available for sale investment portfolio, return on average equity would have been 19.00% and 18.70% in 2000 and 1999, respectively. Increases to the net interest income, other revenue and a lower effective tax rate contributed significantly to this enhanced earnings performance.

NET INTEREST INCOME

On a fully taxable equivalent basis, net interest income increased \$3.3 million or 4% for 2000 compared to 1999. The net yield on interest-earning assets decreased to 4.40% in 2000 as compared to 4.55% in 1999. The decline in the net yield on interest-earning assets during 2000 was primarily attributable to the competitive pressures on loan and deposit pricing. Net interest income was positively affected by the \$143.5 million or 7% increase in average earning assets.

In 2000, average loans increased \$127.0 million and average securities increased \$5.9 million, comprising most of the earning asset growth. The yields on average loans increased by 42 basis points and the yields on average securities increased 32 basis points. Overall funding costs increased 142 basis points.

Average interest-bearing deposits provided \$65.6 million of the funds for the growth in average earning assets, at a cost of 4.51% in 2000 as compared to 3.98% in 1999.

Average increases of \$52.0 million in REPOS and other borrowed funds provided additional funding. The cost of these funds increased 89 basis points during 2000. During 2000 more longer-term borrowings were utilized in order to better manage interest rate risk.

Also positively affecting net interest income was a \$25.8 million increase to average net free funds. Average net free funds are the excess of demand deposits, other noninterest-bearing liabilities and shareholders' equity over nonearning assets.

Maintaining consistent spreads between earning assets and interest bearing liabilities is very significant to S&T's financial performance since net interest income comprised 80% of operating revenue. The level and mix of earning assets and funds are continually monitored by ALCO in order to mitigate the interest rate sensitivity and liquidity risks of the balance sheet. A variety of asset/liability management

strategies was successfully implemented, within prescribed ALCO risk parameters, that enabled S&T to maintain a net interest margin consistent with historical levels.

PROVISION FOR LOAN LOSSES

The provision for loan losses is an amount added to the allowance against which loan losses are charged. The provision for loan losses was \$4.0 million for 2000 and 1999. The provision expense is the result of management's assessment of economic conditions, credit quality statistics, loan administration effectiveness and other factors that would have an impact on probable losses in the loan portfolio.

Credit quality statistics are an important factor in determining the amount of provision expense. Net loan charge-offs totaled \$3.7 million for 2000 compared to \$3.5 million for 1999. Included in the net loan charge-offs for 2000 is a \$1.7 million recovery received on a previously charged-off floor plan loan in 1998, and a \$3.8 million charge-off to one commercial real estate borrower. Nonperforming loans to total loans decreased slightly to 0.18% at December 31, 2000. Also affecting the amount of provision expense is loan growth and portfolio composition. Most of the loan growth in 2000 and 1999 is attributable to larger-sized commercial loans.

NONINTEREST INCOME

Noninterest income, excluding net security gains, increased \$2.0 million or 12% in 2000 compared to 1999. Increases included \$0.6 million or 9% in service charges and fees and \$1.3 million or 21% increase in other income and by \$0.1 million in wealth management fees. Security gains were approximately the same in 2000 compared to 1999.

The increase in service charges on deposit accounts was primarily the result of management's continued effort to implement reasonable fees for services performed and to manage closely the collection of these fees, as well as expanding new cash management relationships.

The increase in other income was a result of increased performance for brokerage and insurance commissions, letters of credit fees, covered calls, merchant and debit card commissions, as well as a full year effect of BOLI investment income. These areas were the focus of several strategic initiatives and product enhancements implemented in order to expand this source of revenue.

S&T recognized \$5.1 million of gains on equity securities during 2000 primarily attributable to the sales of equity securities in order to maximize returns by taking advantage of market opportunities presented. Offsetting these gains were \$1.8 million in losses from the aforementioned restructuring of the available for sale bond portfolio.

NONINTEREST EXPENSE

Noninterest expense increased \$2.2 million or 5% in 2000 compared to 1999. The increase is primarily attributable to increased employment, occupancy and equipment, data processing and other expenses. S&T's efficiency ratio, which measures noninterest expense as a percent of recurring noninterest income plus net interest income on a fully taxable equivalent basis, was 41% in 2000 and 1999, respectively.

Staff expense increased 3% or \$0.7 million in 2000. The increase resulted from normal merit increases offset by lower pension funding costs in 2000. Average full-time equivalent staff was 661 in 2000 and 659 in 1999.

Occupancy and equipment expense increased 7% or \$0.4 million as compared to 1999. This increase is primarily attributable to the opening of a new branch office in Allegheny County and small equipment purchases. Data processing increased 10% or \$0.2 million in 2000 as compared to 1999 due to a refund of an overbilling received from our third-party processor in 1999.

Other expenses increased 6% or \$0.8 million as compared to 1999. This increase included \$0.6 million in legal fees related to increased activity in loan collections as well as the formation of S&T Insurance Group, LLC. Other expense increases of \$0.2 million were not significant and reflect normal changes due to activity increases, organization expansion, consulting engagements for our fee products and operations areas, and fee increases from vendors.

FEDERAL INCOME TAXES

Federal income tax expense decreased \$0.4 million to \$17.6 million in 2000 primarily as a result of a lower effective tax rate in 2000. The 2000 effective tax rate of 28% was below the 35% statutory tax rate due to the tax benefits resulting from tax-exempt interest, excludable dividend income and the tax benefits associated with Low Income Housing Tax Credit (LIHTC) projects.

Liquidity and Interest Rate Sensitivity

Liquidity refers to the ability to satisfy the financial needs of depositors who want to withdraw funds or borrowers needing access to funds to meet their credit needs. Interest rate sensitivity management seeks to avoid fluctuating net interest margins and to enhance net interest income through periods of changing interest rates. ALCO is responsible for establishing and monitoring the liquidity and interest rate sensitivity guidelines, procedures and policies.

The principal sources of asset liquidity are cash and due from banks, interest-earning deposits with banks, federal funds, investment securities that mature in one year or less, and securities available for sale. At December 31, 2001, the total of such assets was approximately \$672.1 million or 29% of consolidated assets. However, liability liquidity is much more difficult to quantify, but is further enhanced by a stable core deposit base, access to credit lines at other financial institutions and S&T's ability to renew maturing deposits. Certificates of deposit in denominations of \$100,000 or more represented 7% of deposits at December 31, 2001 and were outstanding primarily to local customers. S&T's ability to attract deposits and borrow funds depends primarily on continued rate competitiveness, profitability, capitalization and overall financial condition.

Beyond the issue of having sufficient sources to fund unexpected credit demands or deposit withdrawals, liquidity management also is an important factor in monitoring and managing interest rate sensitivity issues through ALCO.

Through forecast and simulation models, ALCO is also able to project future funding needs and develop strategies for acquiring funds at a reasonable cost.

ALCO uses a variety of measurements to monitor the liquidity position of S&T. These include liquidity gap, liquidity forecast, net loans and standby letters of credit to assets, net loans to deposits and net noncore funding dependence ratio. As of December 31, 2001, all of these measurements were in compliance with ALCO policy limitations.

Because the assets and liabilities of S&T are primarily monetary in nature, the presentation and analysis of cash flows in formats prescribed by Financial Accounting Standards Board Statement No. 95 "Statement of Cash Flows" (Statement No. 95) are less meaningful for managing bank liquidity than for other non-financial companies. Funds are typically provided from current earnings, maturity and sales of securities available for sale, loan repayments, deposits and borrowings. The primary uses of funds include new loans, repayment of borrowings, the purchase of securities and dividends to shareholders. The level and mix of sources and uses of funds are constantly monitored and adjusted by ALCO in order to maintain credit, liquidity and interest rate risks within prescribed policy guidelines while maximizing earnings.

ALCO monitors and manages interest rate sensitivity through gap, simulation and duration analyses in order to avoid unacceptable earnings fluctuations due to interest rate changes. S&T's gap model includes certain management assumptions based upon past experience and the expected behavior of customers during various interest rate scenarios. The assumptions include principal prepayments for mortgages, installment loans and CMOs, and classifying the demand, savings and money market balances by degree of interest rate sensitivity. Utilizing the above assumptions results in ratios of interest rate sensitive assets to interest rate sensitive liabilities for the six-month and 12-month intervals ended December 31, 2001 of 0.92% and 0.87%, respectively. Assuming immediate repricings for interest-bearing demand, savings and money market accounts, these ratios would be 0.71% and 0.74%, respectively.

In addition to the gap analysis, S&T performs an earnings sensitivity analysis to identify more dynamic interest rate risk exposures.

An earnings simulation model is used to estimate the effect that specific interest rate changes would have on 12 months of pretax earnings. The model incorporates management assumptions regarding the level of interest rate or balance changes on indeterminate maturity deposit products (savings, money market, NOW and demand deposits) for a given level of market rate changes. These assumptions have been developed through a combination of historical analysis and future expected pricing behavior. Derivative financial instruments are included in this exercise. Interest rate caps and floors on all products are included to the extent that they become effective in the 12-month simulation period. Also, changes in prepayment behavior of the residential mortgage portfolio in each rate environment are captured using management estimates. Finally, the impact of planned growth and anticipated new business activities is factored into the simulation model.

S&T's policy objective is to limit the change in annual pretax earnings to \$2.8 million from an immediate and sustained parallel change in interest rates of 200 basis points. Due to unusually low short-term interest rates which includes federal funds at 1.75%, the 2001 earnings sensitivity analysis does not assume a parallel change in interest rates in the 200 basis points rate reduction scenarios for financial

instruments having a repricing term of less than three years. As of December 31, 2001 and 2000, respectively, S&T had the following estimated earnings sensitivity profile:

| (in millions) | Immediate Change in Rates | |
|-----------------------------|------------------------------|---------|
| | +200bp | -200bp |
| 2001 Pretax earnings change | \$0.9 | \$ 0.1 |
| 2000 Pretax earnings change | \$1.1 | \$(2.5) |

Results of the gradual simulation model, showing changes from current rates by 200 basis points again taking into consideration the current position of short-term interest rates, over a 12-month period as of December 31, 2001 and 2000 are presented below.

| (in millions) | Gradual Change in Rates | |
|-----------------------------|----------------------------|---------|
| | +200bp | -200bp |
| 2001 Pretax earnings change | \$1.1 | \$ 0.1 |
| 2000 Pretax earnings change | \$0.4 | \$(2.0) |

CAPITAL RESOURCES

Shareholders' equity increased \$16.2 million at December 31, 2001 compared to December 31, 2000. The primary source of equity growth for S&T is earnings retention. Hence, capital growth is a function of net income less dividends paid to shareholders and treasury stock activities.

Net income was \$47.3 million and dividends paid to shareholders were \$24.2 million for 2001. S&T paid 51% of 2001 net income in dividends, equating to an annual dividend rate of \$0.92 per share. Also affecting capital was an increase of \$0.9 million in unrealized gains on securities available for sale. During 2001, S&T repurchased 417,505 shares of its common stock. The repurchase of up to 1,000,000 shares in 2001 was authorized by the S&T Board of Directors. In December 2001, this authorization was extended for 2002 for an additional repurchase of up to 1,000,000 shares or approximately four percent of shares outstanding.

The book value of S&T's common stock increased 7.1% from \$10.28 at December 31, 2000 to \$11.01 at December 31, 2001, primarily due to earnings retention, an increase in unrealized holding gains on securities available for sale and the stock buy-backs during 2001.

S&T continues to maintain a strong capital position with a leverage ratio of 11.0% as compared to the 2001 minimum regulatory guideline of 3%. S&T's risk-based capital Tier 1 and Total ratios were 12.7% and 14.9%, respectively, at December 31, 2001, which places S&T well above the Federal Reserve Board's risk-based capital guidelines of 4% and 8% for Tier 1 and Total capital. Included in the total ratio is 45% of the pretax unrealized holding gains on available for sale equity securities as prescribed by banking regulations effective October 1, 1998. In addition, management believes that S&T has the ability to raise additional capital if necessary.

In April 1993, shareholders approved the S&T Incentive Stock Plan (Stock Plan) authorizing the issuance of a maximum of 1,200,000 shares of S&T's common stock in order to assist in attracting and retaining employees of outstanding ability and to promote the identification of their interests with those of the shareholders of S&T. On October 17, 1994, the Stock Plan was amended to include outside directors. On April 21, 1997, shareholders approved an amendment to the plan increasing the number of authorized shares to 3,200,000. As of December 31, 2001, 2,992,522 nonstatutory stock options had been granted to key employees and outside directors; 1,680,022 of these options are currently exercisable.

REGULATORY MATTERS

S&T and S&T Bank are subject to periodic examinations by one or more of the various regulatory agencies. During 2001, an examination was conducted by the Federal Deposit Insurance Corporation (FDIC). This examination included, but was not limited to, procedures designed to review lending practices, credit quality, liquidity, operations and capital adequacy of S&T and its subsidiaries. No comments were received from the FDIC which would have a material effect on S&T's liquidity, capital resources or operations. S&T's current capital position and results of regulatory examination allow it to pay the lowest possible rate for FDIC deposit insurance.

INFLATION

Management is aware of the significant effect inflation has on interest rates and can have on financial performance. S&T's ability to cope with this is best determined by analyzing its capability to respond to changing interest rates and its ability to manage noninterest income and expense. S&T monitors its mix of interest rate sensitive assets and liabilities through ALCO in order to reduce the impact of inflation on net interest income. Management also controls the effects of inflation by reviewing the prices of its products and services, by introducing new products and services and by controlling overhead expenses.

BUSINESS UNCERTAINTIES

There are many uncertainties regarding the economy as we enter 2002. S&T strives to be well-positioned for changes in both the economy and interest rates, regardless of the timing or direction of those changes. Our balance sheet, capital, liquidity and operations infrastructure are well-positioned to take advantage of internal or acquisition growth opportunities in 2002. S&T anticipates net loan growth of about 4% to 6% and deposit growth of approximately 2% to 4% for the year. S&T also anticipates that our net interest margin will remain relatively stable at 4.29% for the year. Fee income is projected to increase 7% to 10% in 2002. The \$112 million of equity securities in our S&T Investment Company and favorable market conditions should allow us to recognize \$5–7 million of equity security gains in 2002. S&T believes the combination of these factors, along with anticipated increases in noninterest expense of 4% to 6%, will allow us to grow earnings per share by 5% to 7% in 2002 to a range of \$1.83 to \$1.87.

There are many factors that could influence our results, both positively and negatively this year. Because the majority of revenue comes from the net interest margin, internally generated loan and deposit growth and the mix of that growth are major factors. S&T has directed a fair amount of focus and resources in our planning for this year to help do a better job of generating and retaining low cost core deposits. On the other hand, a slowing economy could cause deterioration in the asset quality measurements; we recognize that the shift to a greater dependence on commercial loans in recent years exposes S&T to larger credit risks and greater swings in nonperforming loans and charge-offs when problems do occur. However, because of S&T's adequate allowance for loan losses, earnings strength and strong capitalization, as well as the strength of other businesses in our market area, management does not expect a decline in S&T's ability to satisfactorily perform if further decline in our economy occurs.

While S&T believes the year ahead presents more and greater uncertainties and challenges than other recent years, S&T has a plan in place that will allow improvement in earnings this year to the levels indicated above.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements in this Annual Report, which are not historical fact, are forward looking statements that involve risks and uncertainties, including, but not limited to, the interest rate environment, the effect of federal and state banking and tax regulations, the effect of economic conditions, the impact of competitive products and pricings, and other risks detailed in S&T's Securities and Exchange Commission filings.

CONSOLIDATED BALANCE SHEETS

S&T Bancorp, Inc. and Subsidiaries

| December 31 | 2001 | 2000 |
|--|--------------------|--------------------|
| (dollars in thousands, except per share data) | | |
| ASSETS | | |
| Cash and due from banks | \$ 52,783 | \$ 43,665 |
| Federal funds sold | — | 6,600 |
| Securities: | | |
| Available for sale | 578,450 | 567,400 |
| Held to maturity (market value \$6,946 in 2001 and \$13,703 in 2000) | 6,815 | 13,512 |
| Total Securities | 585,265 | 580,912 |
| Loans, net of allowance for loan losses of \$26,926 in 2001 and \$27,395 in 2000 | 1,615,842 | 1,577,629 |
| Premises and equipment | 21,382 | 20,390 |
| Other assets | 82,602 | 81,094 |
| Total Assets | \$2,357,874 | \$2,310,290 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | \$ 257,694 | \$ 232,625 |
| Interest-bearing | 1,353,623 | 1,292,707 |
| Total Deposits | 1,611,317 | 1,525,332 |
| Securities sold under repurchase agreements | 99,837 | 80,686 |
| Long-term borrowings | 251,226 | 377,997 |
| Federal funds purchased | 52,445 | — |
| Other liabilities | 49,722 | 49,178 |
| Total Liabilities | 2,064,547 | 2,033,193 |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock, without par value, 10,000,000 shares authorized and none outstanding | — | — |
| Common stock (\$2.50 par value) | | |
| Authorized—50,000,000 shares in 2001 and 2000 | | |
| Issued—29,714,038 shares in 2001 and 2000 | 74,285 | 74,285 |
| Additional paid-in capital | 21,051 | 21,028 |
| Retained earnings | 224,044 | 201,435 |
| Accumulated other comprehensive income | 33,447 | 32,502 |
| Treasury stock (3,067,859 shares in 2001 and 2,766,626 shares in 2000, at cost) | (59,500) | (52,153) |
| Total Shareholders' Equity | 293,327 | 277,097 |
| Total Liabilities and Shareholders' Equity | \$2,357,874 | \$2,310,290 |

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

S&T Bancorp, Inc. and Subsidiaries

| Year Ended December 31 (dollars in thousands, except per share data) | 2001 | 2000 | 1999 |
|---|------------------|------------------|------------------|
| INTEREST INCOME | | | |
| Loans, including fees | \$134,552 | \$137,797 | \$120,333 |
| Federal funds sold | 1,215 | 1,347 | 547 |
| Investment Securities: | | | |
| Taxable | 26,352 | 29,623 | 29,377 |
| Tax-exempt | 567 | 771 | 942 |
| Dividends | 4,016 | 6,646 | 5,528 |
| Total Interest Income | 166,702 | 176,184 | 156,727 |
| INTEREST EXPENSE | | | |
| Deposits | 53,176 | 56,467 | 47,278 |
| Securities sold under repurchase agreements | 2,268 | 5,863 | 6,519 |
| Federal funds purchased | 187 | 139 | 229 |
| Long-term borrowings | 21,082 | 23,672 | 15,916 |
| Total Interest Expense | 76,713 | 86,141 | 69,942 |
| NET INTEREST INCOME | 89,989 | 90,043 | 86,785 |
| Provision for Loan Losses | 5,000 | 4,000 | 4,000 |
| Net Interest Income After Provision for Loan Losses | 84,989 | 86,043 | 82,785 |
| NONINTEREST INCOME | | | |
| Security gains, net | 9,690 | 3,260 | 3,240 |
| Service charges on deposit accounts | 7,300 | 6,810 | 6,234 |
| Wealth management fees | 4,944 | 4,531 | 4,375 |
| Other | 9,296 | 7,553 | 6,251 |
| Total Noninterest Income | 31,230 | 22,154 | 20,100 |
| NONINTEREST EXPENSE | | | |
| Salaries and employee benefits | 25,098 | 23,466 | 22,726 |
| Occupancy, net | 3,154 | 3,007 | 2,855 |
| Furniture and equipment | 2,898 | 2,689 | 2,445 |
| Other taxes | 1,728 | 1,667 | 1,540 |
| Data processing | 2,632 | 2,473 | 2,256 |
| Amortization of intangibles | 447 | 447 | 447 |
| FDIC assessment | 287 | 294 | 238 |
| Other | 10,728 | 11,615 | 10,983 |
| Total Noninterest Expense | 46,972 | 45,658 | 43,490 |
| Income Before Taxes and Extraordinary Item | 69,247 | 62,539 | 59,395 |
| Applicable Income Taxes | 20,062 | 17,566 | 17,977 |
| Net Income Before Extraordinary Item | 49,185 | 44,973 | 41,418 |
| Extraordinary Item (Net of income taxes of \$1,016) | 1,887 | — | — |
| Net Income | \$ 47,298 | \$ 44,973 | \$ 41,418 |
| EARNINGS PER COMMON SHARE: | | | |
| Net Income Before Extraordinary Item | \$ 1.83 | \$ 1.67 | \$ 1.52 |
| Extraordinary Item | (0.07) | — | — |
| Net Income | 1.76 | 1.67 | 1.52 |
| EARNINGS PER COMMON SHARE ASSUMING DILUTION: | | | |
| Net Income Before Extraordinary Item | \$ 1.82 | \$ 1.66 | \$ 1.51 |
| Extraordinary Item | (0.07) | — | — |
| Net Income | 1.75 | 1.66 | 1.51 |

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

S&T Bancorp, Inc. and Subsidiaries

| | Comprehensive Income | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive income | Treasury Stock |
|--|-------------------------|-----------------|----------------------------------|----------------------|---|-------------------|
| <i>(dollars in thousands, except per share data)</i> | | | | | | |
| Balance at January 1, 1999 | | \$74,285 | \$21,234 | \$158,274 | \$39,961 | \$(34,117) |
| Net income for 1999 | \$41,418 | | | 41,418 | | |
| Other comprehensive income, net of tax: | | | | | | |
| Unrealized losses on securities of \$20,510 net of reclassification adjustment for gains included in net income of \$3,041 | (23,551) | | | | (23,551) | |
| Comprehensive Income | \$17,867 | | | | | |
| Cash dividends declared (\$0.76 per share) | | | | (20,563) | | |
| Treasury stock acquired (834,207 shares) | | | | | | (20,007) |
| Treasury stock issued (157,445 shares) | | | (684) | | | 2,930 |
| Tax benefit from stock options exercised | | | 520 | | | |
| Balance at December 31, 1999 | | \$74,285 | \$21,070 | \$179,129 | \$16,410 | \$(51,194) |
| Net income for 2000 | \$44,973 | | | 44,973 | | |
| Other comprehensive income, net of tax: | | | | | | |
| Unrealized gains on securities of \$18,116 net of reclassification adjustment for gains included in net income of \$2,024 | 16,092 | | | | 16,092 | |
| Comprehensive Income | \$61,065 | | | | | |
| Cash dividends declared (\$0.84 per share) | | | | (22,667) | | |
| Treasury stock acquired (62,400 shares) | | | | | | (1,166) |
| Treasury stock issued (10,995 shares) | | | (66) | | | 207 |
| Tax benefit from stock options exercised | | | 24 | | | |
| Balance at December 31, 2000 | | \$74,285 | \$21,028 | \$201,435 | \$32,502 | \$(52,153) |
| Net income for 2001 | \$47,298 | | | 47,298 | | |
| Other comprehensive income, net of tax: | | | | | | |
| Unrealized gains on securities of \$7,928 net of reclassification adjustment for gains included in net income of \$6,983 | 945 | | | | 945 | |
| Comprehensive Income | \$48,243 | | | | | |
| Cash dividends declared (\$0.92 per share) | | | | (24,689) | | |
| Treasury stock acquired (417,505 shares) | | | | | | (9,574) |
| Treasury stock issued (116,272 shares) | | | (269) | | | 2,227 |
| Tax benefit from stock options exercised | | | 292 | | | |
| Balance at December 31, 2001 | | \$74,285 | \$21,051 | \$224,044 | \$33,447 | \$(59,500) |

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

S&T Bancorp, Inc. and Subsidiaries

| Year Ended December 31 (dollars in thousands) | 2001 | 2000 | 1999 |
|---|-----------------|------------------|------------------|
| OPERATING ACTIVITIES | | | |
| Net Income | \$47,298 | \$44,973 | \$41,418 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for loan losses | 5,000 | 4,000 | 4,000 |
| Provision for depreciation and amortization | 2,418 | 2,356 | 2,220 |
| Net amortization of investment security premiums | 751 | 330 | 588 |
| Net accretion of loans and deposit premiums | (202) | (271) | — |
| Deferred income taxes | (1,556) | 48 | 1,228 |
| Extraordinary item prepayment penalty on early repayment of debt, net of tax | (1,887) | — | — |
| Securities gains, net | (9,690) | (3,260) | (3,240) |
| Proceeds from the sale of loans | 34,889 | 18,583 | 20,597 |
| Decrease (increase) in interest receivable | 2,344 | (1,282) | 451 |
| (Decrease) increase in interest payable | (2,293) | 1,628 | 484 |
| Increase in other assets | (4,872) | (4,625) | (25,338) |
| Increase (decrease) in other liabilities | 4,423 | (1,156) | (1,377) |
| Net Cash Provided by Operating Activities | 76,623 | 61,324 | 41,031 |
| INVESTING ACTIVITIES | | | |
| Net decrease in federal funds sold | 6,605 | 8,799 | 3,899 |
| Proceeds from maturities of investment securities | 6,390 | 5,708 | 5,778 |
| Proceeds from maturities of securities available for sale | 268,338 | 35,762 | 116,428 |
| Proceeds from sales of securities available for sale | 94,202 | 102,219 | 268,230 |
| Purchases of securities available for sale | (362,895) | (121,689) | (407,755) |
| Net increase in loans | (77,901) | (130,797) | (154,508) |
| Purchases of premises and equipment | (3,410) | (2,105) | (1,892) |
| Other, net | — | 37 | (74) |
| Net Cash Used in Investing Activities | (68,671) | (102,066) | (169,894) |
| FINANCING ACTIVITIES | | | |
| Net increase in demand, NOW and savings deposits | 53,580 | 14,518 | 47,589 |
| Net increase in certificates of deposit | 32,404 | 75,749 | 7,414 |
| Net increase in federal funds purchased | 52,445 | — | — |
| Net increase (decrease) in repurchase agreements | 19,151 | (35,323) | (22,817) |
| Proceeds from long-term borrowings | — | 116,075 | 203,844 |
| Repayments from long-term borrowings | (124,885) | (102,140) | (79,850) |
| Acquisition of treasury stock | (7,616) | (1,025) | (17,761) |
| Tax benefit from stock options exercised | 292 | 24 | 520 |
| Cash dividends paid to shareholders | (24,205) | (22,134) | (20,149) |
| Net Cash Provided by Financing Activities | 1,166 | 45,744 | 118,790 |
| Increase (decrease) in Cash and Cash Equivalents | 9,118 | 5,002 | (10,073) |
| Cash and Cash Equivalents at Beginning of Year | 43,665 | 38,663 | 48,736 |
| Cash and Cash Equivalents at End of Year | \$52,783 | \$43,665 | \$38,663 |

See Notes to Consolidated Financial Statements

NOTE A

Accounting Policies

The financial statements of S&T Bancorp, Inc. and subsidiaries (S&T) have been prepared in accordance with accounting principles generally accepted in the United States. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. The more 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. The investment in subsidiaries is carried at S&T's equity in the underlying net assets.

SECURITIES

Management determines the appropriate classification of securities at the time of purchase. If management has the intent and S&T has the ability, at the time of purchase, to hold securities until maturity, they are classified as held to maturity and are stated at cost adjusted for amortization of premiums and accretion of discounts. Certain obligations of states and political subdivisions acquired prior to 2000 are classified as held to maturity. Securities to be held for indefinite periods of time are classified as available for sale and are recorded at market value. Gains or losses on the disposition of securities are based on the specific identification method. S&T does not engage in any securities trading activity.

LOANS

Interest on loans is accrued and credited to operations based on the principal amount outstanding. Accretion of discount on loans is included in interest 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. Loans are placed on nonaccrual and interest is discontinued when collection of interest or principal is doubtful, or generally when interest and principal are 90 days or more past due.

Impaired loans are defined by management as commercial and commercial real estate loans for which it is probable that S&T will not be able to collect all amounts due according to the contractual terms of the loan agreement. Residential real estate mortgages and consumer installment loans are large groups of smaller balance homogenous loans and are separately measured for impairment collectability. Factors considered by management in determining impairment include payment status and underlying collateral value. All impaired loans are classified as substandard for risk

classification purposes. Impaired loans are charged-off, to the estimated value of collateral associated with the loan, when management believes principal and interest are deemed uncollectible. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet the payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent that cash payments are received.

The allowance for loan losses is established through provisions for loan losses charged against income. Loans considered to be uncollectible are charged against the allowance, and recoveries, if any, are credited to the allowance. The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses in the loan portfolio. Management's determination of the adequacy of the allowance is based on periodic evaluations of the loan portfolio, past loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio and other relevant factors.

LOANS HELD FOR SALE

Loans held for sale (zero at December 31, 2001 and 2000) consist of 1–4 family residential loans originated for sale in the secondary market and are carried at lower of cost or market.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed generally by the straight-line method for financial reporting purposes and by accelerated methods for federal income tax purposes.

OTHER REAL ESTATE

Other real estate is included in other assets and is comprised of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of a foreclosure and loans classified as in-substance foreclosure.

These properties are carried at the lower of cost or fair value less projected cost of resale. Loan losses arising from the acquisition of such property are charged against the allowance for loan losses. Gains or losses realized subsequent to acquisition are recorded in the results of operations.

INCOME TAXES

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled.

WEALTH MANAGEMENT ASSETS AND INCOME

Assets held in a fiduciary capacity by the subsidiary bank, S&T Bank (Bank), are not assets of the Bank and are therefore not included in the consolidated financial statements. Wealth Management fee income is reported on the accrual basis.

PENSIONS

Pension expense for the Bank's defined benefit pension plan is actuarially determined using the projected unit credit actuarial cost method. The funding policy for the plan is to contribute amounts to the plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus such additional amounts as may be appropriate, subject to federal income tax limitations.

TREASURY STOCK

The purchase of S&T common stock is recorded at cost. At the time of reissue, the treasury stock account is reduced using the average cost method.

EARNINGS PER SHARE

Basic Earnings Per Share (EPS) is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Average shares outstanding for computing basic EPS were 26,875,663, 26,988,541 and 27,168,529 for 2001, 2000 and 1999, respectively. Options, warrants and other potentially dilutive securities are excluded from the basic calculation, but are included in diluted EPS. Average shares outstanding for computing dilutive EPS were 27,051,060, 27,073,945 and 27,366,986 for 2001, 2000 and 1999, respectively. In computing dilutive EPS, average shares outstanding have been increased by the common stock equivalents relating to S&T's outstanding stock options.

OPERATING SEGMENTS

S&T's business activities are currently confined to one segment, which is community banking. As a community banking company, S&T provides a full range of products and services.

CASH FLOW INFORMATION

S&T considers cash and due from banks as cash and cash equivalents. For the years ended December 31, 2001, 2000 and 1999, cash paid for interest was \$81,923,000, \$84,572,000 and \$69,518,000, respectively. Cash paid during 2001 for income taxes was \$18,959,000 compared to \$18,483,000 for 2000 and \$14,368,000 for 1999.

MORTGAGE LOAN SERVICING

Mortgage servicing assets are recognized as separate assets when servicing rights are acquired through purchase or loan originations, when there is a definitive plan to sell the underlying loan. Capitalized mortgage servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying mortgage loans. Capitalized mortgage servicing rights are evaluated for impairment based on the fair value of those rights. For the year ended December 31, 2001 and 2000, the 1-4 family mortgage loans that were sold to the Federal National Mortgage Association (FNMA) amounted to \$32.6 million and \$5.2 million, respectively. At December 31, 2001 and 2000, servicing assets were \$821,000 and \$492,000, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

As part of S&T's asset/liability management, S&T uses interest rate contracts such as swaps to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Derivatives that are used as part of the asset/liability management process are linked to specific assets or liabilities and have a high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period.

As swaps are accounted for on the "accrual" method, the interest component associated with the contract is recognized over the life of the contract in net interest income.

NEW ACCOUNTING PRONOUNCEMENTS

As of January 1, 2001, S&T adopted Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (Statement No. 133), as amended by Financial Accounting Standards Board Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," (Statement No. 138), which requires measuring and recording the change in fair value of derivative instruments. The adoption of these statements did not materially affect S&T's financial position or results of operations.

Financial Accounting Standards Board Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" (Statement No. 140), establishes standards for transfers and servicing of financial assets and extinguishments of liabilities. Statement No. 140 replaces Financial Accounting Standards Board Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" (Statement No. 125), is effective in 2001 and changes certain provisions of Statement No. 125. Statement No. 140 did not materially affect S&T's financial position or results of operations.

Financial Accounting Standards Board Statement No. 141, "Business Combinations" (Statement No. 141), was effective for business combinations completed after June 30, 2001 and requires use of the purchase method of accounting for business combinations. Statement No. 141 provides new criteria to determine whether an acquired intangible should be recognized separately from goodwill. Statement No. 141 had no impact on S&T's financial position or results of operations.

Financial Accounting Standards Board Statement No. 142, "Accounting for Goodwill and Other Intangible Assets" (Statement No. 142), establishes standards for the amortization

of acquired intangible assets and the non-amortization and impairment assessment of goodwill. Statement No. 142 is effective for existing goodwill and intangible assets, and for goodwill and intangible assets acquired after June 30, 2001. Statement No. 142 did not materially affect S&T's financial position or results of operations.

RECLASSIFICATION

Amounts in prior years have been reclassified to conform to presentation in 2001. The reclassification had no effect on financial condition or results of operations.

NOTE B

Fair Values of Financial Instruments

S&T utilized quoted market values, where available, to assign fair value to its financial instruments. In cases where quoted market values were not available, S&T used present value methods to estimate the fair value of its financial instruments. These estimates of fair value are significantly affected by the assumptions made and, accordingly, do not necessarily indicate amounts that could be realized in a current market exchange. S&T does not expect to realize the estimated amounts disclosed.

The following methods and assumptions were used by S&T in estimating its fair value disclosures for financial instruments:

CASH AND CASH EQUIVALENTS AND OTHER SHORT-TERM ASSETS

The carrying amounts reported in the consolidated balance sheet for cash and due from banks, interest-earning deposits with banks and federal funds sold approximate those assets' fair values.

SECURITIES

Fair values for investment securities and securities available for sale are based on quoted market prices.

LOANS

For variable-rate loans that repriced frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers as measured by net credit losses and the loss of interest income from nonaccrual loans. The carrying amount of accrued interest approximates its fair value.

DEPOSITS

The fair values disclosed for demand deposits (e.g. non-interest and interest-bearing demand, money market and savings accounts) are, by definition, equal to the amount payable on demand. The carrying amounts for variable-rate, fixed-term certificates of deposit and other time deposits approximate their fair value at year-end. Fair values for fixed-rate certificates of deposit and other time deposits are based on the discounted value of contractual cash flows, using interest rates currently being offered for deposits of similar remaining maturities.

SHORT-TERM BORROWINGS AND OTHER BORROWED FUNDS

The carrying amounts of federal funds purchased, borrowings under repurchase agreement and other borrowings approximate their fair values.

LONG-TERM BORROWINGS

The fair values disclosed for long-term borrowings are estimated using current interest rates for long-term borrowings of similar remaining maturities.

LOAN COMMITMENTS AND STANDBY LETTERS OF CREDIT

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. Also, unfunded loan commitments relate principally to variable-rate commercial loans, and fees are not normally assessed on these balances.

Estimates of fair value have not been made for items that are not defined as financial instruments, including such items as S&T's core deposits intangibles and the value of its trust operation. S&T believes it is impractical to estimate a representational fair value for these types of assets, which represent significant value to S&T.

The following table indicates the estimated fair value of S&T's financial instruments as of December 31:

| (dollars in thousands) | 2001 | | 2000 | |
|---|----------------------|----------------|----------------------|----------------|
| | Estimated Fair Value | Carrying Value | Estimated Fair Value | Carrying Value |
| ASSETS | | | | |
| Cash | \$ 52,783 | \$ 52,783 | \$ 43,665 | \$ 43,665 |
| Federal funds sold | — | — | 6,600 | 6,600 |
| Securities: | | | | |
| Available for sale | 578,450 | 578,450 | 567,400 | 567,400 |
| Held to maturity | 6,946 | 6,815 | 13,703 | 13,512 |
| Loans | 1,650,356 | 1,642,768 | 1,596,566 | 1,605,024 |
| LIABILITIES | | | | |
| Deposits | \$1,622,415 | \$1,611,317 | \$1,526,803 | \$1,525,332 |
| Securities sold under repurchase agreements | 99,834 | 99,837 | 80,686 | 80,686 |
| Long-term borrowings | 262,556 | 251,226 | 381,933 | 377,997 |
| OFF-BALANCE SHEET | | | | |
| Interest rate swaps | \$ 442 | — | — | — |

NOTE C

Derivative Financial Instruments

S&T only utilizes derivative instruments for asset/liability management, specifically, to convert a fixed-rate debt to a variable rate. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations and payments are based. The notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Interest rate swaps are contracts in which a series of interest rate flows (fixed and floating) are exchanged over a prescribed period. The notional amounts on which the interest payments are based are not exchanged.

S&T has one interest rate swap with a notional value totaling \$25.0 million and a positive fair value of \$0.4 million, paying a variable rate and receiving a fixed rate. The purpose of this transaction was to reduce the costs of fixed-rate fundings and to mitigate the balance sheet risk associated with declining interest rates. At December 31, 2001, S&T was receiving a fixed rate of 6.3% and paying a variable rate of 4.6% which was based upon the London Interbank Offer Rate plus a spread. Differences between interest received and interest paid is reported as a component of net interest income in the consolidated income statement.

NOTE D

Restrictions on Cash and Due from Bank Accounts

The Board of Governors of the Federal Reserve Bank impose certain reserve requirements on all depository institutions. These reserves are maintained in the form

of vault cash or as a noninterest-bearing balance with the Federal Reserve Bank. Required reserves averaged \$9,012,000 during 2001.

NOTE E

Securities

The following table indicates the composition of the securities portfolio at December 31:

| 2001 (dollars in thousands) | Available for Sale | | | Market Value |
|--|--------------------|------------------------|-------------------------|------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| Obligations of U.S. government corporations and agencies | \$181,514 | \$ 6,608 | \$ (11) | \$188,111 |
| Collateralized mortgage obligations of | | | | |
| U.S. government corporations and agencies | 152,136 | 1,219 | (1,561) | 151,794 |
| Mortgage-backed securities | 24,592 | 332 | — | 24,924 |
| U.S. treasury securities | 5,456 | 657 | — | 6,113 |
| Obligations of states and political subdivisions | 12,661 | 23 | (165) | 12,519 |
| Corporate securities | 64,029 | 2,046 | — | 66,075 |
| Debt securities available for sale | 440,388 | 10,885 | (1,737) | 449,536 |
| Marketable equity securities | 70,004 | 44,303 | (1,995) | 112,312 |
| Other securities | 16,602 | — | — | 16,602 |
| Total | \$526,994 | \$55,188 | \$(3,732) | \$578,450 |

| | Held to Maturity | | | |
|--|------------------|---------------|----------|-----------------|
| Obligations of states and political subdivisions | \$ 6,815 | \$ 131 | — | \$ 6,946 |
| Total | \$ 6,815 | \$ 131 | — | \$ 6,946 |

| 2000 (dollars in thousands) | Available for Sale | | | Market Value |
|--|--------------------|------------------------|-------------------------|------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| Obligations of U.S. government corporations and agencies | \$331,846 | \$ 3,824 | \$ (873) | \$334,797 |
| Mortgage-backed securities | 5,405 | 158 | — | 5,563 |
| U.S. treasury securities | 10,564 | 637 | — | 11,201 |
| Corporate securities | 64,633 | 240 | (636) | 64,237 |
| Debt securities available for sale | 412,448 | 4,859 | (1,509) | 415,798 |
| Marketable equity securities | 67,665 | 50,211 | (3,559) | 114,317 |
| Other securities | 37,285 | — | — | 37,285 |
| Total | \$517,398 | \$55,070 | \$(5,068) | \$567,400 |

| | Held to Maturity | | | |
|--|------------------|---------------|----------|------------------|
| Obligations of states and political subdivisions | \$ 11,512 | \$ 181 | — | \$ 11,693 |
| Corporate securities | 2,000 | 10 | — | 2,010 |
| Total | \$ 13,512 | \$ 191 | — | \$ 13,703 |

There were \$12,754,000, \$7,086,000 and \$5,833,000 in gross realized gains and \$3,064,000, \$3,826,000 and \$2,593,000 in gross realized losses in 2001, 2000 and 1999, respectively, relative to securities available for sale.

The amortized cost and estimated market value of debt securities at December 31, 2001, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the weighted-average contractual maturities of the underlying collateral. The mortgage-backed securities may mature earlier than their weighted-average contractual maturities because of principal prepayments.

| Available for Sale (dollars in thousands) | Amortized Cost | Market Value |
|--|-------------------|-------------------|
| Due in one year or less | \$ 28,066 | \$ 28,540 |
| Due after one year through five years | 397,413 | 406,603 |
| Due after five years through ten years | 14,909 | 14,393 |
| Total | \$ 440,388 | \$ 449,536 |

| Held to Maturity (dollars in thousands) | Amortized Cost | Market Value |
|--|-----------------|-----------------|
| Due in one year or less | \$ 3,634 | \$ 3,716 |
| Due after one year through five years | 3,181 | 3,230 |
| Total | \$ 6,815 | \$ 6,946 |

At December 31, 2001 and 2000, securities with principal amounts of \$315,287,000 and \$321,549,000, respectively,

were pledged to secure repurchase agreements, public funds and trust fund deposits.

NOTE F

Loans

The following table indicates the composition of the loan portfolio at December 31:

| (dollars in thousands) | 2001 | 2000 |
|---------------------------|--------------------|--------------------|
| Real estate—construction | \$ 115,825 | \$ 113,856 |
| Real estate—mortgages: | | |
| Residential | 430,261 | 465,779 |
| Commercial | 621,997 | 589,028 |
| Commercial and industrial | 394,116 | 347,285 |
| Consumer installment | 80,569 | 89,076 |
| Gross Loans | \$1,642,768 | \$1,605,024 |
| Allowance for loan losses | (26,926) | (27,395) |
| Net Loans | \$1,615,842 | \$1,577,629 |

The following table presents changes in the allowance for loan losses for the year ended December 31:

| | 2001 | 2000 | 1999 |
|------------------------------|----------|----------|----------|
| (dollars in thousands) | | | |
| Balance at beginning of year | \$27,395 | \$27,134 | \$26,677 |
| Charge-offs | (6,939) | (9,000) | (7,002) |
| Recoveries | 1,470 | 5,261 | 3,459 |
| Net charge-offs | (5,469) | (3,739) | (3,543) |
| Provision for loan losses | 5,000 | 4,000 | 4,000 |
| Balance at end of year | \$26,926 | \$27,395 | \$27,134 |

The Bank has granted loans to certain officers and directors of S&T as well as certain affiliates of the officers and directors in the ordinary course of business. These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than normal risk of collectibility. The aggregate dollar amounts of these loans were \$41,803,000 and \$42,182,000 at December 31, 2001 and 2000, respectively. During 2001, \$59,018,000 of new loans were funded and repayments totaled \$59,397,000.

The principal balances of loans on nonaccrual were \$8,253,000 and \$2,897,000 at December 31, 2001 and 2000, respectively. At December 31, 2001 there were no commitments to lend additional funds on nonaccrual loans. Other real estate owned, which is included in other assets, was \$1,711,000 at December 31, 2001 and \$548,000 at December 31, 2000.

The following table represents S&T's investment in loans considered to be impaired and related information on those impaired loans:

| | 2001 | 2000 | 1999 |
|--|----------|----------|-----------|
| (dollars in thousands) | | | |
| Recorded investment in loans considered to be impaired | \$ 9,101 | \$ 8,142 | \$ 11,602 |
| Loans considered to be impaired that were on a nonaccrual basis | 4,761 | 915 | — |
| Allowance for loan losses related to loans considered to be impaired | 1,564 | — | 73 |
| Average recorded investment in impaired loans | 9,897 | 12,580 | 5,948 |
| Total interest income per contractual terms on impaired loans | 1,455 | 1,665 | 1,271 |
| Interest income on impaired loans recognized on a cash basis | 1,002 | 1,507 | 1,107 |

NOTE G

Premises and Equipment

The following table is a summary of the premises and equipment accounts at December 31:

| | 2001 | 2000 |
|--------------------------|-----------|-----------|
| (dollars in thousands) | | |
| Land | \$ 3,084 | \$ 3,084 |
| Premises | 20,713 | 19,212 |
| Furniture and equipment | 17,513 | 16,221 |
| Leasehold improvements | 3,440 | 3,049 |
| | 44,750 | 41,566 |
| Accumulated depreciation | (23,368) | (21,176) |
| Total | \$ 21,382 | \$ 20,390 |

Certain banking facilities and equipment are leased under short-term lease arrangements expiring at various dates to the year 2010. All such leases are accounted for as operating leases. Rental expense for premises and equipment amounted to \$1,597,000, \$1,513,000 and \$1,266,000 in 2001, 2000 and 1999, respectively. Minimum

annual rentals for each of the years 2002–2006 are approximately \$859,000, \$838,000, \$708,000, \$515,000 and \$400,000, respectively, and \$241,000 for the years thereafter. Included in the above are leases entered into with two directors for which rental expense totaled \$515,511, \$340,041 and \$397,751 in 2001, 2000 and 1999, respectively.

NOTE H

Deposits

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

| | 2001 | 2000 |
|----------------------------|-------------|-------------|
| (dollars in thousands) | | |
| Noninterest-bearing demand | \$ 257,694 | \$ 232,625 |
| Interest-bearing demand | 128,862 | 123,371 |
| Money market | 328,334 | 308,401 |
| Savings | 147,677 | 144,589 |
| Time deposits | 748,750 | 716,346 |
| Total | \$1,611,317 | \$1,525,332 |

The aggregate of all time deposits over \$100,000 amounted to \$116,523,000 and \$123,299,000 for December 31, 2001 and 2000, respectively.

The following table indicates the scheduled maturities of time deposits at December 31:

| | 2001 | 2000 |
|----------------------------|------------|------------|
| (dollars in thousands) | | |
| Due in one year | \$ 477,655 | \$ 356,708 |
| Due in one to two years | 129,132 | 243,601 |
| Due in two to three years | 46,946 | 74,683 |
| Due in three to four years | 47,973 | 16,780 |
| Due in four to five years | 25,252 | 16,312 |
| Due after five years | 21,792 | 8,262 |
| Total | \$ 748,750 | \$ 716,346 |

NOTE I

Long-Term Borrowings

The following table is a summary of long-term borrowings with the Federal Home Loan Bank (FHLB):

| | 2001 | | 2000 | |
|----------------------------|------------------|--------------|------------------|--------------|
| | Balance | Average Rate | Balance | Average Rate |
| (dollars in thousands) | | | | |
| Due in one year | \$ 40,000 | 6.27% | \$ 55,000 | 5.90% |
| Due in one to two years | 61,000 | 5.98 | 40,000 | 6.27 |
| Due in two to three years | 51,500 | 6.18 | 61,000 | 5.98 |
| Due in three to four years | — | — | 51,500 | 6.18 |
| Due in four to five years | — | — | — | — |
| Due after five years | 8,118 | 6.63 | 58,118 | 4.96 |
| Total | \$160,618 | 6.15% | \$265,618 | 5.82% |

The purpose of these borrowings was to match-fund selected new loan originations, to mitigate interest rate sensitivity risks and to take advantage of discounted borrowing rates through the FHLB for community investment projects.

S&T pledged all 1–4 family and multi-family mortgage loans as collateral for any current or future FHLB borrowings. The total carrying amount of these pledged loans was \$368,986,000 at December 31, 2001.

At December 31, 2001 and 2000, S&T had long-term repurchase agreement borrowings totaling \$90,638,000 and

\$112,379,000, respectively, at a weighted average fixed-rate of 6.45% and 6.50%, respectively, which mature in one to four years. The purpose of these borrowings was to lock in fixed-rate fundings to mitigate interest rate risk.

The 2001 decrease is attributable to utilizing funds from maturities and calls of securities to fund loan growth, strong deposit growth and the early repayment of \$50 million of callable long-term debt with the Federal Home Loan Bank. A prepayment penalty of \$2.9 million (\$1.9 million after-tax) is reported as an extraordinary item in the consolidated statement of income.

NOTE J

Short-Term Debt

Federal funds purchased and securities sold under repurchase agreements (REPOS) generally mature within one to 14 days from the transaction date. S&T defines REPOS with the retail customers as retail REPOS,

and wholesale REPOS are those transacted with other financial institutions. Information concerning federal funds purchased and REPOS is summarized as follows:

| | 2001 | 2000 |
|---|-----------|-----------|
| (dollars in thousands) | | |
| Average balance during the year | \$ 79,766 | \$104,521 |
| Average interest rate during the year | 3.08% | 5.75% |
| Maximum month-end balance during the year | \$160,103 | \$168,244 |
| Average interest rate at year-end | 1.50% | 5.89% |

NOTE K

Dividend and Loan Restrictions

Certain restrictions exist regarding the ability of S&T Bank to transfer funds to S&T in the form of dividends and loans. Dividends that may be paid by S&T Bank to S&T are limited to the retained earnings of S&T Bank, which amounted to \$130,518,000 at December 31, 2001. The amount of dividends that may be paid to S&T is further restricted by regulatory guidelines concerning minimum capital requirements.

Federal law prohibits S&T from borrowing from S&T Bank unless such loans are collateralized by specific obligations. Further, such loans are limited to 10% of S&T Bank's capital and additional paid-in capital, as defined. At December 31, 2001, the maximum amount available for transfer from S&T Bank to S&T in the form of loans and dividends approximated 46% of consolidated equity.

NOTE L

Litigation

S&T, in the normal course of business, is subject to various legal proceedings in which claims for monetary damages are

asserted. No material losses are anticipated by management as a result of these legal proceedings.

NOTE M

Financial Instruments and Credit Risk

S&T, in the normal course of business, commits to extend credit and issues standby letters of credit. The obligations are not recorded in S&T's financial statements. Loan commitments and standby letters of credit are subject to S&T's normal credit underwriting policies and procedures and generally require collateral based upon management's evaluation of each customer's financial condition and ability to satisfy completely the terms of the agreement. S&T's exposure to credit loss in the event the customer does not satisfy the terms of the agreement equals the notional amount of the obligation less the value of any collateral. Unfunded loan commitments totaled \$488,108,000 and \$450,391,000 at December 31, 2001 and 2000, respectively; and obligations under standby letters of credit totaled \$196,462,000 and \$174,874,000 at December 31, 2001 and 2000, respectively.

S&T attempts to limit its exposure to concentrations of credit risk by diversifying its loan portfolio. S&T defines concentrations of credit risk as loans to a specific industry or group in excess of 10% of total loans. S&T has no concentration of credit risk by industry or group. Geographic concentrations exist because S&T provides a full range of banking services including commercial, consumer and mortgage loans to individuals and corporate customers in its seven-county market areas in western Pennsylvania. Management believes these risks are mitigated by underwriting guidelines and ongoing review by loan administration.

NOTE N

Income Taxes

Income tax expense (credits) for the year ended December 31 are comprised of:

| | 2001 | 2000 | 1999 |
|---|-----------------|-----------------|-----------------|
| (dollars in thousands) | | | |
| Current | \$20,602 | \$17,518 | \$16,749 |
| Deferred | (1,556) | 48 | 1,228 |
| Total (including extraordinary item tax benefit) | \$19,046 | \$17,566 | \$17,977 |

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The statutory to effective tax rate reconciliation for the years ended December 31 is as follows:

| | 2001 | 2000 | 1999 |
|---|------------|------------|------------|
| Statutory tax rate | 35% | 35% | 35% |
| Tax-exempt interest income and dividend exclusion | (4) | (5) | (3) |
| Low income housing tax credits | (2) | (2) | (2) |
| Effective tax rate | 29% | 28% | 30% |

Income taxes applicable to security gains were \$3,392,000 in 2001, \$1,141,000 in 2000 and \$1,134,000 in 1999.

Significant components of S&T's temporary differences were as follows at December 31:

| | 2001 | 2000 |
|---|-------------------|-------------------|
| (dollars in thousands) | | |
| Deferred tax liabilities: | | |
| Net unrealized holding gains on securities available for sale | \$(18,010) | \$(17,501) |
| Fixed assets | (498) | (573) |
| Accretion on acquired loans | (127) | (92) |
| Prepaid pension | (119) | (119) |
| Prepaid hospitalization | 25 | (181) |
| Market-to-market adjustments | (1,080) | (2,437) |
| Point recognition | (2,094) | (2,127) |
| Total deferred tax liabilities | (21,903) | (23,030) |
| Deferred tax assets: | | |
| Allowance for loan losses | 9,214 | 9,378 |
| Loan fees | 742 | 687 |
| Interest expense on increasing rate CDs | 17 | — |
| Deferred compensation | 939 | 888 |
| Other | 251 | 290 |
| Total deferred tax assets | 11,163 | 11,243 |
| Net deferred tax liability | \$(10,740) | \$(11,787) |

NOTE O

Employee Benefits

The Bank maintains a defined benefit pension plan covering substantially all employees. The benefits are based on years of service and the employee's compensation during the last ten years of employment. Contributions are intended to provide for benefits attributed to employee service to date

and for those benefits expected to be earned in the future. Trustee pension plan assets consist primarily of equity and fixed income securities and short-term investments.

The following table summarizes the components of net periodic pension expense for the Bank's defined benefit plan:

| | 2001 | 2000 | 1999 |
|--|-------------|-----------------|---------------|
| (dollars in thousands) | | | |
| Service cost—benefits earned during the period | \$ 953 | \$ 1,035 | \$ 1,121 |
| Interest cost on projected benefit obligation | 1,815 | 1,702 | 1,604 |
| Expected return on plan assets | (2,643) | (2,747) | (2,556) |
| Net amortization and deferral | (119) | (191) | (35) |
| Net periodic pension expense (income) | \$ 6 | \$ (201) | \$ 134 |

The following tables summarize the activity in the benefit obligation and plan assets:

| | 2001 | 2000 |
|--|-----------------|-----------------|
| (dollars in thousands) | | |
| CHANGE IN PROJECTED BENEFIT OBLIGATION | | |
| Projected benefit obligation at beginning of year | \$24,742 | \$25,000 |
| Service cost | 953 | 1,035 |
| Interest cost | 1,815 | 1,702 |
| Plan participants' contributions | 315 | 70 |
| Actuarial gain | 57 | (1,927) |
| Benefits paid | (1,114) | (1,138) |
| Projected benefit obligation at end of year | \$26,768 | \$24,742 |

CHANGE IN PLAN ASSETS

| | | |
|---|-----------------|-----------------|
| Fair value of plan assets at beginning of year | \$29,956 | \$31,043 |
| Actual return on plan assets | (707) | (19) |
| Employer contributions | — | — |
| Plan participants' contributions | 315 | 70 |
| Benefits paid | (1,114) | (1,138) |
| Fair value of plan assets at end of year | \$28,450 | \$29,956 |

The following table sets forth the plan's funded status and the accrued pension cost in the consolidated balance sheets at December 31:

| | 2001 | 2000 |
|--|---------------|---------------|
| (dollars in thousands) | | |
| Projected benefit obligation at end of year | \$ (26,768) | \$ (24,742) |
| Fair value of plan assets at end of year | 28,450 | 29,956 |
| Funded status | 1,682 | 5,214 |
| Unrecognized net gain | (1,155) | (4,667) |
| Unamortized prior service cost | 56 | 63 |
| Balance of initial unrecognized net asset | 14 | (7) |
| Prepaid pension cost included in other assets | \$ 597 | \$ 603 |

Below are actuarial assumptions used in accounting for the plan:

| | 2001 | 2000 | 1999 |
|--|------|------|------|
| Weighted-average discount rate | 7.5% | 7.5% | 7.0% |
| Rate of increase in future compensation levels | 5.0 | 5.0 | 5.0 |
| Expected long-term rate of return on plan assets | 9.0 | 9.0 | 9.0 |

S&T also has a supplemental retirement plan (SERP) for certain key employees. The SERP is unfunded. The balances of the actuarial present values of projected benefit obligations related to the SERP are \$2,416,000 and \$2,331,000 at December 31, 2001 and 2000, respectively. Accrued pension costs related to the SERP were \$2,287,000 and \$2,196,000 at December 31, 2001 and 2000, respectively. Net periodic pension cost related to the SERP was \$252,000, \$263,000 and \$224,000 at December 31, 2001, 2000 and 1999, respectively. The actuarial assumptions are the same as those used in the previous tables.

S&T maintains a Thrift Plan (Plan) in which substantially all employees are eligible to participate. S&T makes matching contributions to the Plan up to 3% of participants' eligible compensation and may make additional profit-sharing contributions as limited by the Plan. Contributions to the Plan have been cash or unallocated Employee Stock Ownership Plan (ESOP) shares. Expense related to these contributions amounted to \$1,298,000, \$1,390,000 and \$1,328,000 in 2001, 2000 and 1999, respectively. At December 31, 2001 and 2000, the ESOP had no unallocated shares.

NOTE P

Incentive Stock Plan and Dividend Reinvestment Plan

S&T adopted an Incentive Stock Plan in 1992 (Stock Plan) that provides for granting incentive stock options, nonstatutory stock options and stock appreciation rights (SARS). On October 17, 1994, the Stock Plan was amended to include outside directors. The Stock Plan covers a maximum of 3,200,000 shares of S&T common stock and expires ten years from the date of board approval. At December 31, 2001, 2,992,522 nonstatutory stock options had been granted under the stock plan.

Each year S&T has granted nonstatutory stock options at exercise prices equal to the fair market value of S&T common stock on the grant date.

Stock options granted under the Stock Plan are not exercisable before a six-month vesting period or after ten years from the date of grant. There were no SARs issued or outstanding at December 31, 2001 and 2000. The following table summarizes the changes in the nonstatutory stock options outstanding during 2001, 2000 and 1999:

| | 2001 | | 2000 | | 1999 | |
|----------------------------------|------------------|-------------------------------|------------------|-------------------------------|------------------|-------------------------------|
| | Number of Shares | Weighted Average Option Price | Number of Shares | Weighted Average Option Price | Number of Shares | Weighted Average Option Price |
| Outstanding at beginning of year | 1,800,122 | \$20.31 | 1,435,372 | \$20.41 | 1,280,572 | \$19.08 |
| Granted | 420,400 | 24.40 | 384,700 | 19.81 | 315,800 | 22.88 |
| Exercised | (116,200) | 16.78 | (10,950) | 12.79 | (157,400) | 14.64 |
| Forfeited | (3,900) | 21.16 | (9,000) | 24.22 | (3,600) | 27.75 |
| Outstanding at end of year | 2,100,422 | \$21.32 | 1,800,122 | \$20.31 | 1,435,372 | \$20.41 |
| Exercisable at end of year | 1,680,022 | \$20.55 | 1,415,422 | \$20.45 | 1,119,572 | \$19.72 |

The following table summarizes the range of exercise prices at December 31:

| | 2001 | | | 2000 | | | 1999 | | |
|--------------|--------------------|----------------|------------------------------------|--------------------|----------------|------------------------------------|--------------------|----------------|------------------------------------|
| | Shares Outstanding | Exercise Price | Contractual Remaining Life (Years) | Shares Outstanding | Exercise Price | Contractual Remaining Life (Years) | Shares Outstanding | Exercise Price | Contractual Remaining Life (Years) |
| 1994 | 62,000 | \$ 9.50 | 3 | 83,000 | \$ 9.50 | 4 | 84,400 | \$ 9.50 | 5 |
| 1995 | 154,000 | 13.13 | 4 | 171,300 | 13.13 | 5 | 180,650 | 13.13 | 6 |
| 1996 | 181,500 | 15.44 | 5 | 192,500 | 15.44 | 6 | 192,500 | 15.44 | 7 |
| 1997 | 288,622 | 20.38 | 6 | 329,422 | 20.38 | 7 | 331,422 | 20.38 | 8 |
| 1998 | 326,800 | 27.75 | 7 | 327,200 | 27.75 | 8 | 330,600 | 27.75 | 9 |
| 1999 | 309,800 | 22.88 | 8 | 312,000 | 22.88 | 9 | 315,800 | 22.88 | 10 |
| 2000 | 357,300 | 19.81 | 9 | 384,700 | 19.81 | 10 | — | — | — |
| 2001 | 420,400 | 24.40 | 10 | — | — | — | — | — | — |
| Total | 2,100,422 | \$21.32 | 7.3 | 1,800,122 | \$20.31 | 7.7 | 1,435,372 | \$20.41 | 8.1 |

Options are granted in December and have a six-month vesting period and a ten-year contractual life.

S&T accounts for stock options in accordance with APB25. The following proforma information regarding net income and earnings per share assumes the adoption of Statement No. 123 for stock options granted subsequent to December 31, 1994. The estimated fair value of the options is amortized to expense over the vesting period.

The fair value was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 4.39%, 5.17% and 6.19%; a dividend yield of 4.0%, 4.4% and 3.5%; volatility factors of the expected market price of S&T's common stock of .283, .265 and .270; and a weighted-average expected life of five years.

| | 2001 | 2000 | 1999 |
|-------------------------------------|----------|----------|----------|
| Proforma net income | \$46,242 | \$44,163 | \$40,182 |
| Proforma earnings per share—Basic | 1.72 | 1.64 | 1.48 |
| Proforma earnings per share—Diluted | 1.71 | 1.63 | 1.47 |

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because S&T's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair

value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

S&T also sponsors a dividend reinvestment plan (Dividend Plan) whereby shareholders may purchase shares of S&T common stock at market value with reinvested dividends and voluntary cash contributions. American Stock Transfer and Trust Company, the plan administrator and transfer agent, purchases the shares on the open market to fulfill the Dividend Plan's needs.

NOTE Q

S&T Bancorp, Inc. (parent company only)
Condensed Financial Information

Balance Sheets at December 31:

| | 2001 | 2000 |
|---|------------------|------------------|
| (dollars in thousands) | | |
| ASSETS | | |
| Cash | \$ 22 | \$ 17 |
| Investments in: | | |
| Bank subsidiary | 186,532 | 173,669 |
| Nonbank subsidiary | 110,387 | 106,128 |
| Total Assets | \$296,941 | \$279,814 |
| LIABILITIES | | |
| Dividends payable | \$ 6,413 | \$ 5,929 |
| Other liabilities | (2,799) | (3,212) |
| Total Liabilities | 3,614 | 2,717 |
| Total Shareholder's Equity | 293,327 | 277,097 |
| Total Liabilities and Shareholder's Equity | \$296,941 | \$279,814 |

Statements of Income for the year ended December 31:

| | 2001 | 2000 | 1999 |
|--|------------------|------------------|------------------|
| (dollars in thousands) | | | |
| Dividends from bank subsidiary | \$ 24,689 | \$ 22,666 | \$ 20,565 |
| Investment income | 15 | 59 | 60 |
| Income before equity in undistributed net income of subsidiaries | 24,704 | 22,725 | 20,625 |
| Equity in undistributed net income of: | | | |
| Bank subsidiary | 14,332 | 14,911 | 13,517 |
| Nonbank subsidiary | 8,262 | 7,337 | 7,276 |
| Net Income | \$ 47,298 | \$ 44,973 | \$ 41,418 |

Statements of Cash Flows for the year ended December 31:

| | 2001 | 2000 | 1999 |
|--|-----------------|-----------------|-----------------|
| (dollars in thousands) | | | |
| OPERATING ACTIVITIES | | | |
| Net Income | \$ 47,298 | \$ 44,973 | \$ 41,418 |
| Equity in undistributed net income of subsidiaries | (23,777) | (23,170) | (22,208) |
| Change in other assets/liabilities | 413 | (23) | (526) |
| Total Provided by Operating Activities | 23,934 | 21,780 | 18,684 |
| INVESTING ACTIVITIES | | | |
| Distributions from bank subsidiary | 7,600 | 1,349 | 18,320 |
| Total Provided in Investing Activities | 7,600 | 1,349 | 18,320 |
| FINANCING ACTIVITIES | | | |
| Dividends | (24,205) | (22,134) | (20,149) |
| Acquisition of treasury stock | (7,324) | (1,001) | (17,241) |
| Total Used in Financing Activities | (31,529) | (23,135) | (37,390) |
| Increase (decrease) in Cash | 5 | (6) | (386) |
| Cash at Beginning of Year | 17 | 23 | 409 |
| Cash at End of Year | \$ 22 | \$ 17 | \$ 23 |

NOTE R

Regulatory Matters

S&T is 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 S&T's financial statements. Under capital guidelines and the regulatory framework for prompt corrective action, S&T must meet specific capital guidelines that involve quantitative measures of S&T's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. S&T's capital amounts and classification are also

subject to qualitative judgements by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require S&T to maintain minimum amounts and ratios of Tier I and Total capital to risk-weighted assets and Tier I capital to average assets. As of December 31, 2001 and 2000, S&T meets all capital adequacy requirements to which it is subject.

To be classified as well-capitalized, S&T must maintain minimum Tier I risk-based, Total risk-based and Tier I leverage ratios as set forth in the table below:

| | Actual | | For Capital Adequacy Purposes | | To Be Well-Capitalized Under Prompt Corrective Action Provisions | |
|--|-----------|--------|-------------------------------|-------|--|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| (dollars in thousands) | | | | | | |
| As of December 31, 2001 | | | | | | |
| Total Capital (to risk-weighted assets) | \$299,029 | 14.89% | \$160,659 | 8.00% | \$200,824 | 10.00% |
| Tier I Capital (to risk-weighted assets) | 254,865 | 12.69 | 80,330 | 4.00 | 120,495 | 6.00 |
| Tier I Capital (to average assets) | 254,865 | 10.98 | 92,823 | 4.00 | 116,028 | 5.00 |
| As of December 31, 2000 | | | | | | |
| Total Capital (to risk-weighted assets) | \$284,265 | 14.61% | \$155,666 | 8.00% | \$194,582 | 10.00% |
| Tier I Capital (to risk-weighted assets) | 238,911 | 12.28 | 77,833 | 4.00 | 116,749 | 6.00 |
| Tier I Capital (to average assets) | 238,911 | 10.41 | 91,806 | 4.00 | 114,757 | 5.00 |

The most recent notification from the Federal Deposit Insurance Corporation categorized S&T Bank as well-capitalized under the regulatory framework for corrective action. At December 31, 2001, S&T Bank's Tier I and Total capital

ratios were 9.33% and 10.58%, respectively, and Tier I capital to average assets was 8.07%. At December 31, 2000, S&T Bank's Tier I and Total capital ratios were 9.11% and 10.37%, respectively, and Tier I capital to average assets was 7.64%.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

S&T Bancorp, Inc. and Subsidiaries

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

We have audited the accompanying consolidated balance sheets of S&T Bancorp, Inc. and subsidiaries (S&T) as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of S&T's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of S&T Bancorp, Inc. and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Pittsburgh, Pennsylvania
January 17, 2002

STOCK PRICES AND DIVIDEND INFORMATION SELECTED FINANCIAL INFORMATION

S&T Bancorp, Inc. and Subsidiaries

STOCK PRICES AND DIVIDEND INFORMATION

S&T Bancorp, Inc.'s common stock is listed on the Nasdaq National Market System (Nasdaq). The range of sales prices for the years 2001 and 2000 are as follows and are based upon information obtained from Nasdaq. As of the close of business January 31, 2002, there were 3,185 shareholders of record of S&T Bancorp, Inc. Dividends paid by S&T are

provided from the Bank's dividends to S&T. In addition, the payment of dividends by the Bank to S&T is subject to the restrictions described in Note K to the Consolidated Financial Statements. The cash dividends declared shown below represent the historical per share amounts for S&T Bancorp, Inc. common stock.

| 2001 | Price Range of Common Stock | | Cash Dividends Declared |
|----------------|--------------------------------|----------|-------------------------|
| | Low | High | |
| Fourth Quarter | \$ 22.26 | \$ 25.30 | \$ 0.24 |
| Third Quarter | 20.81 | 25.25 | 0.23 |
| Second Quarter | 21.20 | 25.11 | 0.23 |
| First Quarter | 20.31 | 23.56 | 0.22 |
| 2000 | | | |
| Fourth Quarter | \$ 17.38 | \$ 22.94 | \$ 0.22 |
| Third Quarter | 17.75 | 20.00 | 0.21 |
| Second Quarter | 16.75 | 18.75 | 0.21 |
| First Quarter | 17.13 | 23.44 | 0.20 |

SELECTED FINANCIAL INFORMATION

| Year Ended December 31: | 2001 | 2000 | 1999 | 1998 | 1997 |
|-------------------------|------|------|------|------|------|
|-------------------------|------|------|------|------|------|

(dollars in thousands, except per share data)

INCOME STATEMENTS

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Interest income | \$166,702 | \$176,184 | \$156,727 | \$151,438 | \$141,101 |
| Interest expense | 76,713 | 86,141 | 69,942 | 69,156 | 62,284 |
| Provision for loan losses | 5,000 | 4,000 | 4,000 | 10,550 | 5,000 |
| Net interest income after provision for loan losses | 84,989 | 86,043 | 82,785 | 71,732 | 73,817 |
| Noninterest income | 31,230 | 22,154 | 20,100 | 24,418 | 16,441 |
| Noninterest expense | 46,972 | 45,658 | 43,490 | 41,988 | 43,198 |
| Income before taxes and extraordinary item | 69,247 | 62,539 | 59,395 | 54,162 | 47,060 |
| Applicable income taxes | 20,062 | 17,566 | 17,977 | 16,199 | 13,646 |
| Net income before extraordinary item | 49,185 | 44,973 | 41,418 | 37,963 | 33,414 |
| Extraordinary item (after-tax) | 1,887 | — | — | — | — |
| Net income | \$ 47,298 | \$ 44,973 | \$ 41,418 | \$ 37,963 | \$ 33,414 |

PER SHARE DATA¹

Earnings per common share:

| | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|
| Net income before extraordinary item | \$ 1.83 | \$ 1.67 | \$ 1.52 | \$ 1.37 | \$ 1.18 |
| Extraordinary item | 0.07 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net income | \$ 1.76 | \$ 1.67 | \$ 1.52 | \$ 1.37 | \$ 1.18 |

Earnings per common share assuming dilution:

| | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|
| Net income before extraordinary item | \$ 1.82 | \$ 1.66 | \$ 1.51 | \$ 1.35 | \$ 1.17 |
| Extraordinary item | 0.07 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net income | \$ 1.75 | \$ 1.66 | \$ 1.51 | \$ 1.35 | \$ 1.17 |

| | | | | | |
|--------------------|-------|-------|------|------|------|
| Dividends declared | 0.92 | 0.84 | 0.76 | 0.66 | 0.56 |
| Book value | 11.01 | 10.28 | 8.88 | 9.38 | 9.20 |

¹Per share amounts have been restated to record the effect of a two-for-one common stock split in the form of a 100% stock dividend distributed on October 30, 1998

SELECTED FINANCIAL DATA
QUARTERLY SELECTED FINANCIAL DATA

S&T Bancorp, Inc. and Subsidiaries

SELECTED FINANCIAL DATA
BALANCE SHEET TOTALS (PERIOD END):

| Year Ended December 31: (dollars in thousands) | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|-------------|-------------|-------------|-------------|-------------|
| Total assets | \$2,357,874 | \$2,310,290 | \$2,194,073 | \$2,069,611 | \$1,920,291 |
| Securities | 585,265 | 580,912 | 575,224 | 591,486 | 568,220 |
| Net loans | 1,615,842 | 1,577,629 | 1,469,143 | 1,339,232 | 1,253,326 |
| Total deposits | 1,611,317 | 1,525,332 | 1,435,065 | 1,380,063 | 1,284,658 |
| Securities sold under repurchase agreements | 99,837 | 80,686 | 116,009 | 138,825 | 170,124 |
| Long-term borrowings | 251,226 | 377,997 | 364,062 | 240,068 | 144,218 |
| Total shareholders' equity | 293,327 | 277,097 | 239,700 | 259,637 | 260,118 |

QUARTERLY SELECTED FINANCIAL DATA

| | 2001 | | | | 2000 | | | |
|--|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | First Quarter |

(dollars in thousands, except per share data)

SUMMARY OF OPERATIONS

Income Statements:

| | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Interest income | \$ 38,466 | \$ 41,062 | \$ 42,997 | \$ 44,177 | \$ 45,741 | \$ 45,328 | \$ 43,216 | \$ 41,899 |
| Interest expense | 16,241 | 18,640 | 20,272 | 21,560 | 22,790 | 22,442 | 21,043 | 19,866 |
| Provision for loan losses | 1,150 | 850 | 2,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Net interest income after provision for loan losses | 21,075 | 21,572 | 20,725 | 21,617 | 21,951 | 21,886 | 21,173 | 21,033 |
| Security gains, net | 1,499 | 4,268 | 2,499 | 1,424 | 836 | 961 | 569 | 895 |
| Noninterest income | 5,779 | 5,448 | 5,289 | 5,024 | 4,867 | 4,755 | 4,910 | 4,361 |
| Noninterest expense | 11,710 | 11,780 | 11,792 | 11,690 | 11,438 | 11,730 | 11,178 | 11,312 |
| Income before taxes and extraordinary item | 16,643 | 19,508 | 16,721 | 16,375 | 16,216 | 15,872 | 15,474 | 14,977 |
| Applicable income taxes | 4,775 | 5,763 | 4,799 | 4,725 | 4,586 | 4,459 | 4,331 | 4,190 |
| Net income before extraordinary item | 11,868 | 13,745 | 11,922 | 11,650 | 11,630 | 11,413 | 11,143 | 10,787 |
| Extraordinary item (after tax) | — | 1,887 | — | — | — | — | — | — |
| Net income | \$ 11,868 | \$ 11,858 | \$ 11,922 | \$ 11,650 | \$ 11,630 | \$ 11,413 | \$ 11,143 | \$ 10,787 |

PER SHARE DATA

Earnings per common share assuming dilution:

| | | | | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net income before extraordinary item | \$ 0.44 | \$ 0.51 | \$ 0.44 | \$ 0.43 | \$ 0.43 | \$ 0.42 | \$ 0.41 | \$ 0.40 |
| Extraordinary item | — | 0.07 | — | — | — | — | — | — |
| Net income | \$ 0.44 | \$ 0.44 | \$ 0.44 | \$ 0.43 | \$ 0.43 | \$ 0.42 | \$ 0.41 | \$ 0.40 |
| Dividends declared | 0.24 | 0.23 | 0.23 | 0.22 | 0.22 | 0.21 | 0.21 | 0.20 |
| Book value | 11.01 | 10.88 | 10.82 | 10.56 | 10.28 | 9.81 | 9.19 | 8.96 |

AVERAGE BALANCE SHEET TOTALS

| | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | \$2,325,582 | \$2,336,508 | \$2,355,230 | \$2,311,571 | \$2,300,826 | \$2,276,239 | \$2,239,178 | \$2,192,311 |
| Securities | 567,949 | 547,698 | 549,248 | 554,042 | 584,086 | 580,977 | 569,610 | 567,311 |
| Net loans | 1,618,697 | 1,614,665 | 1,620,793 | 1,592,160 | 1,570,290 | 1,530,552 | 1,501,081 | 1,476,447 |
| Total deposits | 1,598,356 | 1,597,007 | 1,578,771 | 1,531,354 | 1,500,831 | 1,482,129 | 1,477,065 | 1,444,314 |
| Securities sold under repurchase agreements | 89,406 | 67,643 | 65,975 | 65,906 | 100,550 | 80,292 | 87,269 | 141,668 |
| Long-term borrowings | 266,741 | 323,937 | 367,080 | 378,115 | 378,579 | 409,890 | 390,888 | 329,681 |
| Total shareholders' equity | 296,085 | 294,918 | 291,984 | 285,041 | 273,805 | 260,323 | 248,510 | 239,833 |

S&T BANK LOCATIONS

Armagh

Robert J. Lasinski
Branch Sales Manager
133 Philadelphia Street

Blairsville

Blairsville Station
Donald J. LoPresti
Branch Sales Manager
205 E. Market Street

Chestnut Ridge Plaza

Margaret McGuire
Branch Supervisor
Rt. 22 East

Burrell Township Plaza

Cynthia L. Wilson
Branch Sales Manager
Rt. 119, Black Lick

Brockway

Roberta Klingensmith
Branch Sales Manager
456 Main Street

Brookville

Judith A. Gromley
Branch Sales Manager
256 Main Street

Route 36

John Oberlin
Branch Sales Manager
Route 36 & Interstate 80

Clarion

Larry Jamison
Branch Sales Manager
410 Main Street

Delmont

Jacqueline A. Hahn
Branch Sales Manager
85 Greensburg Street

Derry

Enid Mercinko
Branch Manager
100 S. Chestnut Street

DuBois

DuBois Drive-Up
Melanie A. McGinnis
Branch Supervisor
35 W. Scribner Avenue

DuBois Mall

Cheryl A. Johnson
Branch Sales Manager
Shaffer Road

DuBois Regional Banking Center

Michael Todd Miller
Branch Sales Manager
614 Liberty Boulevard

Treasure Lake

James E. Allen
Branch Supervisor
Coral Reef &
Crooked Island Roads

East Oakmont

Sharon DeLuca
Branch Sales Manager
2190 Hulton Road

Greensburg

Judith Soles
Branch Sales Manager
701 East Pittsburgh Street

Westmoreland Mall

Diane Sackett
Branch Supervisor
Rt. 30, Greensburg

Holiday Park

Michael F. Ciocca
Branch Sales Manager
2388 Rt. 286

Homer City

Michael F. Grimes, Jr.
Branch Sales Manager
34 N. Main Street

Indiana

Main Office
Christine Rumbaugh
Branch Sales Manager
800 Philadelphia Street

N. Fourth Street

Linda F. Shaffer
Branch Sales Manager
324 N. Fourth Street

Direct Banking Center

Mark W. Kromer
Manager
355 N. Fifth Street

Indian Springs

Jennifer J. Myers
Branch Sales Manager
2175 Rt. 286 South

Southtowne Plaza

Nancey Shoop
Branch Sales Manager
2550 Rt. 286 South

Wayne Avenue

Renee Lazeration
Branch Sales Manager
1107 Wayne Avenue

Kittanning

Lori Spix
Branch Sales Manager
Hilltop Plaza
Rt. 268, Kittanning

Lucerne

Bernadette Palchesko
Branch Sales Manager
Rt. 119 S. & Lucerne Road

Monroeville

Donna Benzenhoefer
Branch Sales Manager
4385 Old William
Penn Highway

Murrysville

Margaret Hill
Branch Sales Manager
4251 Old William Penn
Highway

Penn Hills

Tammy Geibel
Branch Sales Manager
12262 Frankstown Road

Plum

James T. End, Jr.
Branch Sales Manager
7660 Saltsburg Road

Hampton Avenue

Laurie Appleman
Branch Sales Manager
232 N. Hampton Avenue

Mahoning

Vicki Lowmaster
Branch Sales Manager
539 W. Mahoning Street

Reynoldsville

Carol O'Donnell
Branch Sales Manager
418 Main Street

Saltsburg

Darlene D. Shirley
Branch Sales Manager
602 Salt Street

Shadyside

S&T Business Banking Center
Lynn Fritzius
Retail Services Specialist
820 South Aiken Avenue
(412) 802-6000

Unity

Stacy Burgeson
Branch Sales Manager
301 Unity Center Road

Vandergrift

Valerie Stone
Branch Sales Manager
109 Grant Avenue

Youngwood

Pamela P. Price
Branch Sales Manager
100 S. Fourth Street

S&T Brokerage Services

645 Philadelphia Street
(724) 465-1435

S&T Wealth

Management Group
43 S. Ninth Street
(724) 465-1443
or 800-446-0246

S&T Commercial Lending

800 Philadelphia Street
(724) 465-1486

Shareholder Inquiries

43 S. Ninth Street
(724) 465-1466

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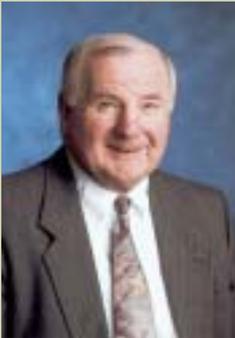
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INVESTOR INFORMATION

S&T Bancorp, Inc. is a bank holding company organized under the Pennsylvania Business Corporation Law. Its wholly owned subsidiaries are S&T Bank and S&T Investment Company, Inc. In addition, S&T Bancorp, Inc. owns a one-half interest in Commonwealth Trust Credit Life Insurance Company.

S&T Bank was started in 1902 with one office in Indiana and has grown to 40 offices that provide a full range of financial services to people in Allegheny, Armstrong, Clarion, Clearfield, Indiana, Jefferson, Westmoreland, and surrounding counties. The bank has always maintained a sincere interest in both its customers and the success of area businesses. This concern has helped S&T meet its customers' needs with quality banking services as well as foster the economic vitality of its communities.

The Annual Meeting of Shareholders of S&T Bancorp, Inc. will be held at 10 a.m. on Monday, April 15, 2002 at the S&T Training and Support Center, 355 North Fifth Street, Indiana, PA.

INDEPENDENT AUDITORS

Ernst & Young LLP
One Oxford Centre
Pittsburgh, PA 15219

TRANSFER AGENT

If you need assistance regarding:

- Change in registration of certificates
- Reporting lost certificates
- Information regarding the Dividend Reinvestment Program
- Information regarding Direct Deposit of cash dividends

Please contact our transfer agent:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10007
800-937-5449
www.amstock.com

General Shareholders Inquiries:
S&T Bancorp Shareholder Services
Sandy Ingmire
(724) 465-1466 or 800-325-2265
treasury@stbank.net

FORM 10-K

Copies of the Corporation's Annual Report on Form 10-K, on file at the Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934, may be obtained free by writing to: The Corporate Secretary, S&T Bancorp, Inc., P.O. Box 190, Indiana, PA 15701-0190.

S&T Bancorp, Inc. stock is traded on the Nasdaq National Market System under the symbol STBA.

S&T BANCORP, INC.

43 South Ninth Street
Indiana, PA 15701-3921
800-325-BANK
www.stbank.com

