

JANUARY 2, 2017

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

**THE FOLLOWING REPORT IS EXCERPTED FROM
THE WALL STREET TRANSCRIPT**

COMPANY INTERVIEW

TODD D. BRICE

S&T Bancorp, Inc. (NASDAQ:STBA)

NOTICE

The Wall Street Transcript does not in any way endorse or guarantee the accuracy or reliability of any of the information, statements or opinions expressed in the reports or comments of other firms or individuals. We take due care to report or transcribe accurately what has been written or said by others but because of the possibility of human or mechanical error, we cannot assume any liability for the correctness of the transcription. We point out further that, of course, all opinions expressed are subject to change without notice. Neither the information or any opinion which may be expressed constitutes a solicitation for the purchase or sale of any securities referred to herein. For further information, contact the individual or investment organization concerned.

CHIEF EXECUTIVE OFFICER FORUMS/INTERVIEWS

Important Note: Wall Street Transcript forums and interviews with Chief Executive Officers are published verbatim as editorial content and include "forward-looking statements" (as such term is defined in the United States Private Securities Litigation Reform Act of 1995). These "forward-looking statements" may be subject to and be made pursuant to the "safe-harbor" provisions of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. Since these statements are based on factors that

involve risks and uncertainties, actual results may differ materially from those expressed or implied by such "forward-looking statements". Such factors are often included in the company's filings of reports with the United States Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and Proxy Statements; the company's annual and interim reports to shareholders and similar documents. In carrying out our responsibilities to our readers and to the Chief Executive Officers selected for forums or interviews, we are required to offer, and we offer, each Chief Executive Officer an opportunity to back-up the interview and provide our readers and potential investors with specific financial data, including earnings statements, balance sheet statements and other material business and financial data, through the sponsored publication of such reports or highlights therefrom, with meaningful information.

Founded 1963
Published by Wall Street Transcript Corporation
622 Third Ave., 34th Floor, New York, NY 10017
Copyright 2017 Wall Street Transcript Corporation
All Rights Reserved

S&T Bancorp, Inc. (NASDAQ:STBA)



TODD D. BRICE is President and CEO of S&T Bancorp, Inc., and also serves as a member of the S&T Bancorp, Inc. board of directors. Mr. Brice has been an S&T Bank employee since 1984. Prior to his appointment as President and CEO, Mr. Brice served as President and Chief Operating Officer. In his long history with S&T Bank, Mr. Brice has served in positions at every level of the organization, including Executive Vice President of Commercial Lending, Senior Vice President, Vice President, and Commercial Loan Officer. An active member of the community, Mr. Brice serves on the board of directors for the Indiana Regional Medical Center and is a board member for both the Greater Pittsburgh Chamber of Commerce and the Indiana County Chamber of Commerce. He is also a member of the Pittsburgh chapter of the World Presidents' Organization. Mr. Brice earned

a B.A. in business administration from Grove City College in Grove City, Pennsylvania. He also completed a three-year program through the Graduate School of Banking at the University of Wisconsin in Madison, Wisconsin.



DAVID G. ANTOLIK has been the Chief Lending Officer and Senior Executive Vice President of S&T Bancorp, Inc. since April 2008. Mr. Antolik has been the Chief Lending Officer and Senior Executive Vice President of S&T Bancorp, Inc. since January 2008. In addition to his current role, he serves on the Indiana County Development Corporation Board, the Foundation for Indiana University of Pennsylvania Board, the IUP Research Institute Board and Residential Revival Indiana Board as well as the Lively Arts Advisory Council. In his previous experience, Mr. Antolik served as an Executive Vice President of Commercial Lending at S&T Bancorp, Inc. from August 2004 to December 2007. He served as a Senior Vice President in the Commercial Lending Area from January 2002 to August 2004, and was Vice President of Commercial Lending from September 2000 to December 2001. Mr. Antolik joined S&T Bancorp, Inc. in 1990. He is a graduate of IUP.

SECTOR — BANKING

(BAJ601) TWST: Could you provide a brief overview of the bank?

Mr. Brice: S&T Bank is headquartered in Indiana, Pennsylvania, which is about 50 miles east of Pittsburgh. We are a \$6.7 billion institution with a market cap of over \$1.2 billion, and currently have 64 offices and five insurance locations throughout our footprint in Pennsylvania, Ohio and New York. We were founded in 1902, so it is a 114-year old institution with a rich history and deep roots in the communities we serve.

We operate in 14 counties in Western Pennsylvania and also four counties in the center part of the state, with a banking office in Akron, Ohio, which opened in 2012, and a loan production office in Columbus, Ohio, which opened in 2014. We also have a team of bankers at our loan production office up in Rochester, New York. Back in 2012, we purchased two smaller institutions, Mainline Bank and Gateway Bank, which added about \$360 million or so to the balance sheet. And finally, we closed on our acquisition of Integrity Bank in Central P.A. in 2015.

Mr. Antolik: In December of 2015, we opened a branch location in Akron, Ohio after operating as an LPO since August of 2012; it is staffed with 12 bankers. At this office, we offer commercial banking, business banking, Treasury management, platinum

banking, dealer finance and some limited retail services. This group of bankers manages a loan portfolio of about \$325 million and sits at about \$26 million in deposits. We had good experiences there in terms of our ability to grow assets. We recognize the opportunity to offer further services. In fact, next week Todd and I are headed out to the grand opening of our new location in Akron.

As Todd mentioned, in 2014 we opened the Columbus LPO. That group of bankers manages a portfolio of about \$280 million, so it's on the same trajectory that we saw in Northeast Ohio. Then in Rochester, we have got just about \$115 million of loans. In all of those locations, it is really about the people. Particularly, getting the right people to join our team and making sure that we have got solid boots on the ground to understand the market, the opportunity, the local economy and trying to drive decision-making as close to the front line as we can. That is really our modus operandi in the loan production offices.

Mr. Brice: Rochester opened up in March of 2015, and then also in that month, we acquired Integrity Bank, which introduced our services to the center part of Pennsylvania, including Dauphin, York, Lancaster and Cumberland counties. Today we look at our markets and really view them as five different ones. Columbus, Akron, Western P.A., Central P.A. and then Western New York. Each market provides different opportunities to our institution at different times.

We like how we are positioned. As Dave mentioned, it all comes down to having the right people on board. Across all of our markets we have teams of seasoned bankers who, again, have long ties into the markets and relationships with customers.

“Approximately 75% to 80% of net income is derived from our lending activity. We are a spread shop, and the balance would be generated through the fees.”

TWST: In the fiscal year 2015 you had net income of \$67.1 million. Can you break that down for us broadly speaking?

Mr. Brice: Approximately 75% to 80% of net income is derived from our lending activity. We are a spread shop, and the balance would be generated through the fees. In addition, I can say commercial lending has been a strong business line for us. About 75% of our loan book would be in commercial, while the other 25% is in consumer, which is primarily home equity loans. We also have a wealth division and insurance division. Wealth would do about \$10 million in revenues, and insurance will do about \$5 million or so in revenues. But again, the bulk of our earnings are derived from the commercial and the retail lines of business at the bank.

TWST: I know you have oil and gas companies that have a lot of activity in your regions. How does that impact the business?

Mr. Antolik: We look at our oil and gas exposure in a number of ways, but primarily our comment is that we don't have direct exposure to the commodity. We are not lending on production, but we do have a number of customers who have been impacted both positively and negatively by activity in the oil and gas patch. These are ancillary service providers, folks who provide services to the industry like customers who haul and process water, sell equipment and provide construction services.

In terms of credit exposure, we have seen those numbers decline over the last couple of quarters as the industry has slowed and those companies deleverage. We have seen our exposure to those ancillary service providers decline. Recently, we have seen the number of rigs in the state increase — certainly not to where it was at the peak — but activity has increased recently. There is also a lot of effort being made on the transmission side to get the gas to market as things like the recently announced cracker plants in Beaver County move forward. We believe that there is a lot of runway in terms of the activity and the opportunity for us.

Mr. Brice: We think it is just a good long-term play. It is a huge resource. As Dave mentioned, the Shell plant on the western side of Pittsburgh has — and we were just out there last week — is generating a lot of activity. They are ramping up over a couple of years for 5,000 or 6,000 jobs, so that will impact the region in a lot of different areas in the local economy.

TWST: I am looking at some of your business presentations from last June, and it is showing your commercial

real estate mix. It seems quite diverse. Is that intentional?

Mr. Antolik: Yes, it is very intentional. We manage that concentration actively. As Todd mentioned, we have five distinct markets that we do business in, so we look at each of those markets and break down the asset class in each one of those markets, whether it is multifamily, retail, apartment or warehouse. We get pretty granular about it. Then we adjust our underwriting based on those concentrations and also measure the balance sheet level in terms of our commercial real estate exposure to capital, as well as our construction exposure to capital.

TWST: Is some of your growth going forward going to be from expanding your geographic commercial lending here?

Mr. Antolik: We have defined our geography. If you think about it, to the West, we are in Columbus, up through Northeast Ohio into Western New York and all the way down through Central Pennsylvania. It is a triangular geography that gives us a pretty big region for opportunity. We have geographically based teams that will aide in our ability to grow the commercial business. There may be opportunities to grow other lines of business within that prescribed market geography.

Mr. Brice: Right. We just brought a new gentleman in to run our wealth management division who came from the Central Pennsylvania market. We would expect to ramp up that line of business, which is a line of business that Integrity just didn't offer. His name is Greg Lefever, and he is getting acclimated to the organization.

TWST: In the near future, is your growth going to come from acquisitions, or do you think you're going to do it organically? Can you describe both your short- and long-term growth vision?

Mr. Brice: The vision is very similar to what it has been for many, many years. At S&T, we manage the business from an organic perspective. As we have talked about, we made significant investments in talent and new markets to support the M&A. In addition to prioritizing organic growth, we are patient. If you look at our history, we will acquire a bank every two to three years. We like the markets that we are getting into in Central Pennsylvania and the activity levels that we are seeing out there. We are looking to the future and will ramp up that area if one of the benefits of a merger is giving them access to a bigger balance sheet and more products and services on both the commercial side and in consumer side.

For M&A, you really cannot plan for it. We will be positioned so that if something does come up that appeals to us, we will certainly take a look at it. Overall, we have been a disciplined acquirer over the 30 years that I have been here.

TWST: Part of what you do is manage growth and change as well as costs. Can you give us examples of where you have been effective operationally in terms of managing the business?

Mr. Brice: Historically we have been an efficient organization when you look at us relative to peers, but we sold a merchant card processing division a few years back. We had about 12 people in that area. We reallocated those resources into other areas. We have a fee arrangement with our new provider to share revenues. From a net contribution standpoint, it is actually going to be up a little bit because — when you strip out the personnel costs. We just automated our mortgage system and our consumer loan system. These are really done from two perspectives. One is to try and manage headcount. More importantly, it enables you to grow

the company without having to add resources. Additionally, we changed to a new payroll system that gives us the ability to expand the work force by five times without making further investments.

We made significant investments in technology. When you go to 2013 and 2014, we kept expenses flat year over year, which we thought was a big win for us. Some of the investments that we made in technology shrank headcount in some areas but then reallocated some of those dollars into these new markets so as to grow the revenue side of the business. It has just been a continual focus of ours for many, many years, and we will continue to do so. We are looking forward to next year and have some plans in place out to try and drive those efficiencies down. It is a combination of growing revenues and controlling expenses.

TWST: I am looking again at a recent presentations when you talk about how you improved profits in part by repositioning a credit card product. Can you talk about that example?

Mr. Brice: As I mentioned, we sold the merchant business two years ago. Just this spring we sold our credit card division which represented a \$22 million portfolio. We partnered up with another firm, and they handled all the underwriting, the compliance and payments. They also assume all the fraud risk, and we now have share arrangement. So we think we are going to grow the business back up, and from a contribution standpoint eventually be a bit ahead of the game because their products have a few more bells and whistles than what we had. We were able to market in a little bit of a different way.

TWST: In 2015, your return on average assets was 1.13% and return on average equity was 8.94%. Which of these or which are the most important metrics to you and why? How do you stack up relative to your peers?

Mr. Brice: We probably focus on the return on asset a little more because that will drive your return on equity. In addition to return on equity, we look at return on tangible equity, which I think in the most recent quarter was over 15%. It has been averaging right around 14%. We think both of those numbers compare favorably to peers.

TWST: When you're changing as much as the organization has been, how do you market effectively? Can you give us some concrete examples of how you manage the expectations of customers, both the existing ones and new prospective ones?

Mr. Antolik: It is really true relationship banking. I was just in a meeting this morning, and we were talking about how we handle our business banking relationships. We have seen a lot of our competitors move to a model where they are handling business banking through the branches or asking commercial bankers to handle business banking responsibilities. We maintain a dedicated group of business bankers to handle those customers. We think that that is a big differentiator for us.

We can drive a little better yield from that portfolio because we can offer truly customized service to those clients, and those clients tend to be heavy users of our branch system as well. So we talk a lot about branch rationalization from an expense perspective, but we also want to look at branch optimization from a customer-usage perspective and how to leverage the branches that we have. That is one way we really differentiate ourselves in marketing and how we have a customer experience that is unique.

Mr. Brice: On the consumer side, again, we have a very competitive suite of products and services, particularly those offered online. We are going to be an organization that is not necessarily first to market with new technology, but one with

the latest technology. Our data provider is FIS, and it has been a great relationship. They keep us up-to-date with products very shortly after something new has come out. We have a pretty high acceptance rate of mobile users relative to some of our peers. We will continue to see the consumer business going that way.

TWST: What are your strategic objectives for the next 12 months?

Mr. Antolik: It looks like we may get some help with interest rates from the Federal Reserve, which will help the margin, but along with managing the marginal structure, we have to control expenses and grow the business in a profitable manner. We will put a focus on having our bankers go out and continue to take care of our existing clients, first and foremost, and then secondly, capture new opportunities as they present themselves to keep the ball moving forward.

TWST: Do you have any management or operational changes occurring in the next 12 months? If so, to what extent do they have anything to do with digitizing the banking operation?

Mr. Brice: We really don't have anything on the management side. We just brought on Greg Lefever to head wealth management. We think we are pretty well set from a management standpoint. On the operational side, I am not seeing anything big on the horizon as far as any new products. We rolled out this summer something called PeoplePay. It is person-to-person payment, so you can send money to other people through your cell phone. The majority of banks have this out there now, so we are working to raise awareness of this offering with our client base.

TWST: What do you want a potential investor in S&T Bancorp to know today?

Mr. Brice: We are positioned in the market from a size perspective because we have a lending capacity with an in-house limit of about \$50 million. If you look at how the company's been put together, it has been a mix of organic growth and select M&A, and the majority of those have been high-performing community-based banks, so we still have that community-based philosophy. We have competitive product services and access to the right technology. It is, again, about staying close to our customers and being consistent, which is what is important.

TWST: Is there anything else that you wanted to cover?

Mr. Antolik: Just to summarize, we are an organic growth story, and that is really what we are selling and what we want our shareholders to know. We focus on the things we talked about in order to improve the customer experience. At the end of the day, we are trying to drive earnings per share growth — that is our ultimate goal in order to create shareholder value. We have a strong track record of doing that, and we have solid strategies and are in the right geographies to be able to continue our growth.

TWST: Thank you. (KJL)

TODD D. BRICE

President and CEO

DAVID G. ANTOLIK

Chief Lending Officer and Senior Executive Vice President

S&T Bancorp, Inc.

800 Philadelphia St.

Indiana, PA 15701

(724) 349-0599

www.stbank.com