

# Four STAR

**S&T Bank**  
FALL 2009

Four Star Club News on Investments, Trends and Tips to Enhance Your Lifestyle  
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## A Message from our President

We are living in unprecedented times. Throughout our region, across the nation, and around the world, the economy is experiencing a downturn. What began as a crisis in the credit and housing sectors has spread to a negative impact on banking and financial services in general.

Though S&T Bank is not immune to these market conditions, I want to assure you the bank is working diligently to overcome the challenges associated with these market conditions. The challenges impacting S&T are industry-wide. All banks are experiencing the same market conditions. While the downturn continues to be challenging, we believe we are well-positioned to weather the storm for several reasons:

- S&T Bank is a member of the Federal Deposit Insurance Corporation, or FDIC, which means the government guarantees the safety of checking and savings deposit. Your accounts are safe and secure at S&T Bank.
- The economy of western Pennsylvania is diverse, and while the energy-related industries and manufacturing have noticed a slowdown, other segments – colleges and universities, health care, and government – continue to invest in our region.

S&T Bank recently chose to participate in the federal government's Capital Purchase Program (CPP), which increased the bank's capital base by \$109 million. Healthy institutions such as

S&T Bank that have maintained solid balance sheets were the only institutions permitted to participate.

The government engineered CPP to stimulate lending. The goal is to make more credit available to businesses and individuals. S&T chose to participate because boosting our capital ratio was in the long term interest of our customers and will enable us to continue to grow and meet the credit needs of our customers. It is our intention to return the funds to the U.S. Treasury as soon as possible, and we will do so when we feel it is prudent.

Weathering this economic downturn will require patience and persistence. Be assured our employees are focused on improving S&T's outlook, and as we take on this challenge, we take comfort in knowing the bank is well capitalized and still focused on the fundamentals.

Moreover, we are backed by a dedicated group of employees who know the key to success is "Relationship Banking... One Customer at a Time." As we build relationships with our customers, we build trust, and that translates into a stronger bottom line. If you have any questions, please do not hesitate to contact us at [stbank.com](http://stbank.com) or **800.325.BANK**.



**Todd Brice,**  
President & CEO

Each Depositor Insured to \$250,000



## FDIC Deposit Insurance Coverage

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects the funds depositors place in FDIC-insured institutions. FDIC insurance is backed by the full faith and credit of the United States government. Since the FDIC was established in 1933, no depositor has ever lost a single penny of FDIC-insured funds.

There is no need for depositors to apply for FDIC insurance or even to request it; coverage is automatic. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit.

The standard insurance amount currently is \$250,000 per depositor. The \$250,000 limit is permanent for certain retirement accounts, which includes IRAs. The \$250,000 limit is temporary for all other deposit accounts through December 31, 2013. On January 1, 2014, the standard insurance amount will return to \$100,000 per depositor for all account categories except certain retirement accounts, which will remain at \$250,000 per depositor.

To ensure funds are fully protected, depositors should understand their coverage limits. The FDIC provides separate coverage for deposits held in different account ownership categories. For more details about what is covered, stop by any S&T Bank branch office or call **800.325.BANK**.

# Economic Growth... Or Not?

By Malcolm E. Polley, CFA, President & Chief Investment Officer of  
Stewart Capital Advisors, an S&T Bank Company.



Many would point to the good news in early August as a sign the economy is running headlong into a full-blown recovery of (at least) normal magnitude. We would caution against reading too much into the data as reported – particularly over the next couple of months, as it may be distorted by one-off events that could reverse themselves.

New home sales jumped eleven percent in June – a shockingly high number, and one that might give investors heart that the economic situation (mainly for home builders) is rapidly rebounding. Unfortunately, we believe the rebound has as much to do with a new government program as it does sating pent-up demand.

Under the Obama administration's economic stimulus program, first-time home buyers can get a tax credit of 10% of the purchase price of a house up to \$8,000. The caveat... the home purchase must close by December 1, 2009. While a great deal for new home buyers, it (the credit) also has the effect of pushing purchases that would occur as a normal course of events over the next 12 to 18 months into a much shorter time period.

In a similar vein, the government is attempting to jumpstart the moribund automobile industry with its so-called *Cash for Clunkers* program. (Under this program, new car dealers can issue a credit of up to \$3,500 per vehicle for a vehicle manufactured less than 25 years before the trade-in date. If the new vehicle purchased gets at least 10 mpg better mileage than the vehicle traded, the buyer qualifies for an additional \$1,000 credit.) Having exhausted (or nearly so) the first \$1 billion, Congress has since approved an additional \$2 billion... but what does it really do for the economy?

In the end, both the first time home buyer tax credit and the *Cash for Clunkers* program have to create sustainable demand. We doubt this will happen. Programs like these are the economic equivalent of pumping yourself full of sugar and caffeine in an attempt to stay awake – you get a short burst of energy, followed by a crash. While we are not expecting an economic calamity following the close of these programs, we are expecting demand will fall to a below-normal level as we have effectively borrowed from future demand.

When putting in place programs to stimulate demand, we should first review past attempts to stimulate demand. Perhaps the best example of pricing used to stimulate demand is the sales held by retail stores in attempt to boost traffic. Rather than spur broad-based sales of products across all price points (full priced as well as sale priced), it has had the affect of telling customers, "Wait a little bit and the price will come down." From an economic perspective, this is one behavior we do not want to take hold. If consumers delay purchase decisions because they are sure a product will get cheaper, the result is deflation. That is something we have not faced since the Great Depression... and, not something we need to face now.

## Think Forward About Reverse Mortgages

### Want to learn more about Reverse Mortgages?

Stop by one of the following branches during the times specified to speak to S&T Bank's Reverse Mortgage Specialist.

#### Wexford

12550 Perry Highway  
September 10, 2009, 9am-12pm

#### Youngwood

100 S. Fourth Street  
October 2, 2009, 9am-12pm

#### Haymaker

4580 Broadway Boulevard  
October 16, 2009, 9am-12pm

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