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POISED FOR GROWTH

Homegrown banks ramp up regional services

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Indiana County's banking sector is dominated by a pair of homegrown banks: S&T Bancorp and First Commonwealth Financial Corp.

Both rank among the 10 biggest retail banks serving the metropolitan area, but on their home turf, Pittsburgh's three largest retail banks – PNC Financial Services Group Inc., Citizens Bank of Pennsylvania and F.N.B. Corp. – are support players.

S&T, with 43.4 percent market share in Indiana County, operates 11 of its 58 branches in Indiana. First Commonwealth, at 29.6 percent, is larger overall with 110 branches, but just nine are in Indiana County.

Each has grown by adding smaller community banks, and both have recently opened commercial lending offices in Ohio: First Commonwealth in Cleveland and S&T in Columbus.

But their leaders are very different in terms of tenure and career track.

S&T President and CEO Todd Brice built his career at the bank and has made few changes in the executive ranks.

"Our management team has been together for many years," said Brice, who recently marked his 30th anniversary at S&T. "I was in a meeting the other day with 10 people who had 225 years of (combined) experience. It really makes an impact."

People have been the key to S&T's acquisitions, which have been mostly small, strategic deals over the past two years, including the 2012 purchase of two-branch Gateway Bank whose Peters Township base shored up S&T's presence in the Marcellus Shale.

Brice said it's important to find the right cultural fit. Hiring small groups of experienced lenders with deep roots in their respective communities enabled S&T to start lending operations in Akron almost two years ago and in Columbus and State College, Pa., in 2014.

"Indiana County has been very impacted by the energy business, and there's a lot of activity in that space and from business-



JOE WOJCIK

The headquarters for S&T Bank in downtown Indiana.

es that are affected in an ancillary way," Brice said. "We have a large hospital, a good school system and we benefit from the university, which is a huge economic driver."

S&T currently is building a new branch prototype, about half the size of its traditional offices. It has focused in recent years on energy savings and other efficiency measures to hold costs at bay.

"S&T has always been one of the best-run regional banks in Pennsylvania if not the country," said Robert Wagner, a bank analyst and managing partner of the Shale Community BanFund. "S&T made it through the credit crisis unscathed because of the quality of their management team. They've always been selective about their growth and acquisition prospects, and I would expect to see them continue as a high-performing regional bank."

Michael Price took First Commonwealth's helm two years ago. He had joined as president of its retail bank in fall 2007 from National City Corp., where he served as CEO of its Cincinnati region. Price has been assembling his team, cleaning up troubled loans, re-entering the mortgage business and upgrading First Commonwealth's IT system.

"The prep work was the first year, and

there's been a lot of the fruition in the second," Price said. "You go back to people you've trusted and have good integrity and values. There's no magic to it. I think we have a really good team of people who have community bank experience and great connections with clients."

First Commonwealth expects to launch

its mortgage arm, built from the ground up, July 14.

"If you don't do someone's house and car, those are the two biggest purchases for any household, so if you're a retail bank, that's just taking a step back," Price said. "It's a basic core service and something we have to have. For young, credit-worthy households – people in their late 20s and early 30s – housing is affordable here. We do a lot of car loans – I'd guess about \$20 million a month, which in western Pennsylvania is a lot."

Earnings have taken a bit of a bite from a \$12 million technology upgrade – "a lot of money for a bank our size," Price noted, but it will help First Commonwealth to operate more efficiently and serve clients better. Converting the core system, about three-quarters of the technology that runs the bank, is slated for early August.

Price said his biggest challenge was prioritizing since there was a lot to do to get First Commonwealth's performance to the next level.

"Banking's a fun business," Price said. "If we're doing our job, we're helping business owners and consumers realize their financial dreams. It's not like it's surgery. But if we don't do it well, someone else will do it for us."

▶ MARKET SHARE

BANKING ON COMMUNITY

Nine banks operate in Indiana County, and while the county seat is just 45 miles east of Pittsburgh, the hometown-based financial institutions dominate. Here's a look at the banks by market share in the county:

Bank	Branches	Deposits	Market share
S&T Bank	11	\$1.07B	43%
First Commonwealth Bank	9	\$728.9M	29.6%
Indiana First Savings Bank	4	\$249.7M	10.15%
PNC Bank	4	\$174.1M	7.08%
Marion Center Bank	4	\$152M	6.18%
1st Summit Bank	1	\$45.6M	1.86%
First National Bank of Pennsylvania	1	\$31.7M	1.29%
Citizens Bank of Pennsylvania	1	\$7.6M	0.31%
CNB Bank	1	\$2.6M	0.11%

SOURCE: FEDERAL DEPOSIT INSURANCE CORP., AS OF JUNE 30, 2013

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