

Standard Financial Corp.
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from to .

Commission File No. 001-34893

Standard Financial Corp.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

27-3100949
(I.R.S. Employer
Identification No.)

2640 Monroeville Boulevard, Monroeville, Pennsylvania 15146

(Address of principal executive offices)

412-856-0363

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,222,476 shares, par value \$0.01, at May 1, 2013.

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Standard Financial Corp.

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(Dollars in thousands, except per share data)

(Unaudited)

| | March 31, 2013 | September 30, 2012 |
|--|-------------------|-----------------------|
| ASSETS | | |
| Cash on hand and due from banks | \$ 2,179 | \$ 1,729 |
| Interest-earning deposits in other institutions | 11,612 | 14,045 |
| Federal funds sold | | 3,000 |
| Cash and Cash Equivalents | 13,791 | 18,774 |
| Investment securities available for sale, at fair value | 70,513 | 62,675 |
| Mortgage-backed securities available for sale, at fair value | 34,087 | 40,002 |
| Federal Home Loan Bank stock, at cost | 2,955 | 2,683 |
| Loans receivable, net of allowance for loan losses of \$4,004 and \$4,474 | 283,617 | 291,113 |
| Loans held for sale | 393 | 905 |
| Foreclosed real estate | 1,245 | 463 |
| Office properties and equipment, at cost, less accumulated depreciation and amortization | 3,730 | 3,840 |
| Bank-owned life insurance | 13,495 | 10,282 |
| Goodwill | 8,769 | 8,769 |
| Core deposit intangible | 435 | 519 |
| Prepaid federal deposit insurance | 454 | 584 |
| Accrued interest receivable and other assets | 2,818 | 2,823 |
| TOTAL ASSETS | \$ 436,302 | \$ 443,432 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Liabilities | | |
| Deposits: | | |
| Demand, savings and club accounts | \$ 190,931 | \$ 192,266 |
| Certificate accounts | 134,214 | 138,033 |
| Total Deposits | 325,145 | 330,299 |
| Federal Home Loan Bank advances | 28,588 | 26,849 |
| Securities sold under agreements to repurchase | 3,275 | 3,232 |
| Advance deposits by borrowers for taxes and insurance | 505 | 635 |
| Accrued interest payable and other liabilities | 2,231 | 2,300 |

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| | | |
|--|------------|------------|
| TOTAL LIABILITIES | 359,744 | 363,315 |
| Stockholders' Equity | | |
| Preferred stock, \$0.01 par value per share, 10,000,000 shares authorized, none issued | | |
| Common stock, \$0.01 par value per share, 40,000,000 shares authorized, 3,222,476 and 3,480,573 shares outstanding, respectively | 32 | 35 |
| Additional paid-in-capital | 27,138 | 31,839 |
| Retained earnings | 50,045 | 48,822 |
| Unearned Employee Stock Ownership Plan (ESOP) shares | (2,567) | (2,644) |
| Accumulated other comprehensive income | 1,910 | 2,065 |
| TOTAL STOCKHOLDERS' EQUITY | 76,558 | 80,117 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 436,302 | \$ 443,432 |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**Standard Financial Corp.****Consolidated Statements of Income**

(Dollars in thousands, except per share data)

(Unaudited)

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|--|------------------------------|--------------|----------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest and Dividend Income | | | | |
| Loans, including fees | \$ 3,420 | \$ 3,717 | \$ 6,883 | \$ 7,504 |
| Mortgage-backed securities | 175 | 276 | 375 | 550 |
| Investments: | | | | |
| Taxable | 176 | 176 | 347 | 367 |
| Tax-exempt | 224 | 204 | 446 | 392 |
| Interest-earning deposits and federal funds sold | 1 | 1 | 3 | 2 |
| Total Interest and Dividend Income | 3,996 | 4,374 | 8,054 | 8,815 |
| Interest Expense | | | | |
| Deposits | 833 | 913 | 1,696 | 1,842 |
| Federal Home Loan Bank advances | 128 | 187 | 282 | 381 |
| Securities sold under agreements to repurchase | 1 | 2 | 2 | 4 |
| Total Interest Expense | 962 | 1,102 | 1,980 | 2,227 |
| Net Interest Income | 3,034 | 3,272 | 6,074 | 6,588 |
| Provision for Loan Losses | 150 | 300 | 375 | 600 |
| Net Interest Income after Provision for Loan Losses | 2,884 | 2,972 | 5,699 | 5,988 |
| Noninterest Income | | | | |
| Service charges | 420 | 411 | 862 | 807 |
| Earnings on bank-owned life insurance | 125 | 99 | 239 | 200 |
| Net securities gains | 13 | 3 | 13 | 55 |
| Net loan sale gains | 67 | 31 | 155 | 43 |
| Annuity and mutual fund fees | 54 | 37 | 88 | 64 |
| Other income | 15 | 10 | 23 | 16 |
| Total Noninterest Income | 694 | 591 | 1,380 | 1,185 |
| Noninterest Expenses | | | | |
| Compensation and employee benefits | 1,612 | 1,452 | 3,142 | 2,860 |
| Data processing | 105 | 116 | 204 | 223 |
| Premises and occupancy costs | 300 | 282 | 577 | 539 |
| Core deposit amortization | 42 | 42 | 84 | 84 |
| Automatic teller machine expense | 72 | 79 | 151 | 160 |
| Federal deposit insurance | 69 | 73 | 139 | 148 |
| Other operating expenses | 479 | 468 | 827 | 916 |
| Total Noninterest Expenses | 2,679 | 2,512 | 5,124 | 4,930 |
| Income before Income Tax Expense | 899 | 1,051 | 1,955 | 2,243 |

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| | | | | |
|---|-----------|-----------|-----------|-----------|
| Income Tax Expense | | | | |
| Federal | 134 | 235 | 381 | 534 |
| State | 44 | 34 | 99 | 96 |
| Total Income Tax Expense | 178 | 269 | 480 | 630 |
| Net Income | | | | |
| | \$ 721 | \$ 782 | \$ 1,475 | \$ 1,613 |
| Earnings Per Share: | | | | |
| Basic and diluted earnings per common share | \$ 0.24 | \$ 0.25 | \$ 0.48 | \$ 0.51 |
| Cash dividends paid per common share | | | | |
| | \$ 0.045 | \$ 0.045 | \$ 0.090 | \$ 0.090 |
| Basic weighted average shares outstanding | 3,040,799 | 3,159,423 | 3,071,030 | 3,181,000 |
| Diluted weighted average shares outstanding | 3,055,713 | 3,159,423 | 3,074,549 | 3,181,000 |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**Standard Financial Corp.****Consolidated Statements of Comprehensive Income**

(In thousands)

(Unaudited)

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|-------------------------------------|-------------|-----------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net Income | \$ 721 | \$ 782 | \$ 1,475 | \$ 1,613 |
| Other comprehensive income (loss): | | | | |
| Change in unrealized gain on securities available for sale | (17) | 34 | (222) | (305) |
| Tax effect | 6 | (12) | 76 | 103 |
| Reclassification adjustment for security gains realized in net income | (13) | (3) | (13) | (55) |
| Tax effect | 4 | 1 | 4 | 18 |
| Total other comprehensive (loss) income | (20) | 20 | (155) | (239) |
| Total Comprehensive Income | \$ 701 | \$ 802 | \$ 1,320 | \$ 1,374 |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**Standard Financial Corp.****Consolidated Statement of Changes in Stockholders Equity**

(Dollars in thousands, except per share data)

(Unaudited)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Unearned ESOP Shares | Accumulated Other Comprehensive Income | Total Stockholders Equity |
|--------------------------------------|-------------------------|---|------------------------------|-------------------------------------|---|--|
| Balance, September 30, 2012 | \$ 35 | \$ 31,839 | \$ 48,822 | \$ (2,644) | \$ 2,065 | \$ 80,117 |
| Net income | | | 1,475 | | | 1,475 |
| Other comprehensive loss | | | | | (155) | (155) |
| Stock repurchases (258,097 shares) | (3) | (4,981) | | | | (4,984) |
| Cash dividends (\$0.09 per share) | | | (252) | | | (252) |
| Compensation expense on stock awards | | 226 | | | | 226 |
| Compensation expense on ESOP | | 54 | | 77 | | 131 |
| Balance, March 31, 2013 | \$ 32 | \$ 27,138 | \$ 50,045 | \$ (2,567) | \$ 1,910 | \$ 76,558 |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**Standard Financial Corp.****Consolidated Statements of Cash Flows**

(Dollars in thousands)

(Unaudited)

| | Six Months Ended March 31, | |
|---|-----------------------------------|------------------|
| | 2013 | 2012 |
| Net income | \$ 1,475 | \$ 1,613 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 464 | 451 |
| Provision for loan losses | 375 | 600 |
| Net securities gains | (13) | (55) |
| Origination of loans held for sale | (3,866) | (2,008) |
| Proceeds from sale of loans held for sale | 4,533 | 1,740 |
| Net loan sale gains | (155) | (43) |
| Compensation expense on ESOP | 131 | 110 |
| Compensation expense on stock awards | 226 | |
| Deferred income taxes | 63 | 200 |
| Decrease in accrued interest receivable and other assets | 22 | 368 |
| Decrease in prepaid Federal deposit insurance | 130 | 136 |
| Earnings on bank-owned life insurance | (239) | (200) |
| Decrease in accrued interest payable and other liabilities | (69) | (106) |
| Other, net | (33) | 53 |
| Net Cash Provided by Operating Activities | 3,044 | 2,859 |
| Cash Flows Provided by (Used in) Investing Activities | | |
| Net decrease (increase) in loans | 6,135 | (8,770) |
| Purchases of investment securities | (15,002) | (17,458) |
| Purchases of mortgage-backed securities | (1,003) | (7,514) |
| Proceeds from maturities/principal repayments/calls of investment securities | 7,168 | 11,662 |
| Proceeds from maturities/principal repayments/calls of mortgage-backed securities | 6,394 | 5,496 |
| Proceeds from sales of investment securities | 94 | 6,110 |
| Purchase of Federal Home Loan Bank stock | (416) | (48) |
| Redemption of Federal Home Loan Bank stock | 144 | 277 |
| Purchases of bank-owned life insurance | (3,000) | |
| Proceeds from sales of foreclosed real estate | 263 | 540 |
| Net purchases of office properties and equipment | (66) | (213) |
| Net Cash Provided by (Used in) Investing Activities | 711 | (9,918) |
| Cash Flows (Used in) Provided by Financing Activities | | |
| Net (decrease) increase in demand, savings and club accounts | (1,335) | 4,162 |
| Net (decrease) increase in certificate accounts | (3,819) | 6,417 |
| Net increase in securities sold under agreements to repurchase | 43 | 357 |
| Repayments of Federal Home Loan Bank advances | (5,638) | (2,886) |
| Proceeds from Federal Home Loan Bank advances | 7,377 | 6,002 |
| Net decrease in advance deposits by borrowers for taxes and insurance | (130) | (131) |
| Dividends paid | (252) | (297) |
| Stock repurchases | (4,984) | (981) |
| Net Cash (Used in) Provided by Financing Activities | (8,738) | 12,643 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (4,983) | 5,584 |
| Cash and Cash Equivalents - Beginning | 18,774 | 12,658 |
| Cash and Cash Equivalents - Ending | \$ 13,791 | \$ 18,242 |

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Supplementary Cash Flows Information

| | | | | |
|--|----|-------|----|-------|
| Interest paid | \$ | 1,982 | \$ | 2,230 |
| Income taxes paid | \$ | 386 | \$ | 274 |
| Supplementary Schedule of Noncash Investing and Financing Activities | | | | |
| Foreclosed real estate acquired in settlement of loans | \$ | 986 | \$ | 620 |
| Securities purchased not settled | \$ | | \$ | 1,710 |

See accompanying notes to the unaudited consolidated financial statements.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

(1) Consolidation

The accompanying consolidated financial statements include the accounts of Standard Financial Corp. (the Company) and its direct and indirect wholly owned subsidiaries, Standard Bank, PaSB (the Bank), and Westmoreland Investment Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with instructions to Form 10-Q, and therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles in the United States. All adjustments (consisting of normal recurring adjustments), which, in the opinion of management are necessary for a fair presentation of the financial statements and to make the financial statements not misleading have been included. These financial statements should be read in conjunction with the audited financial statements and the accompanying notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012. The results for the three and six month periods ended March 31, 2013 is not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2013 or any future interim period. Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation format. These reclassifications had no effect on stockholders' equity or net income.

(3) Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The following table sets forth the computation of basic and diluted EPS for the three and six months ended March 31, 2013 and 2012 (dollars in thousands, except per share data):

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|------------------------------|-----------|----------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net income available to common stockholders | \$ 721 | \$ 782 | \$ 1,475 | \$ 1,613 |
| Basic EPS: | | | | |
| Weighted average shares outstanding | 3,040,799 | 3,159,423 | 3,071,030 | 3,181,000 |

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| | | | | | | | | |
|---|----|-----------|----|-----------|----|-----------|----|-----------|
| Basic EPS | \$ | 0.24 | \$ | 0.25 | \$ | 0.48 | \$ | 0.51 |
| Diluted EPS: | | | | | | | | |
| Weighted average shares outstanding | | 3,040,799 | | 3,159,423 | | 3,071,030 | | 3,181,000 |
| Diluted effect of common stock equivalents | | 14,914 | | | | 3,519 | | |
| Total diluted weighted average shares outstanding | | 3,055,713 | | 3,159,423 | | 3,074,549 | | 3,181,000 |
| Diluted EPS | \$ | 0.24 | \$ | 0.25 | \$ | 0.48 | \$ | 0.51 |

(4) Recent Accounting Pronouncements

In October, 2012, the FASB issued ASU 2012-06, *Business Combinations (Topic 805) - Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution*. ASU 2012-06 requires that when a reporting entity recognizes an indemnification asset (in accordance with Subtopic 805-20) as a result of a government assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs (as a result of a change in cash flows expected to be collected on the assets subject to indemnification), the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). ASU 2012-06 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2012. Early adoption is permitted. The amendments should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from a government-assisted acquisition of a financial institution. This ASU is not expected to have a significant impact on the Company's financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

(4) Recent Accounting Pronouncements

In January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. The amendments clarify that the scope of Update 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. An entity is required to apply the amendments for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the required disclosures retrospectively for all comparative periods presented. The effective date is the same as the effective date of Update 2011-11. This ASU is not expected to have a significant impact on the Company's financial statements.

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The amendments in this Update require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP) to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. The Company adopted this standard on January 1, 2013. The effect of adopting this standard increased the disclosure surrounding reclassification items out of accumulated other comprehensive income.

In February 2013, the FASB issued ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. The objective of the amendments in this Update is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. generally accepted accounting principles (GAAP). Examples of obligations within the scope of this Update include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. U.S. GAAP does not include specific guidance on accounting for such obligations with joint and several liability, which has resulted in diversity in practice. Some entities record the entire amount under the joint and several liability arrangement on the basis of the concept of a liability and the guidance that must be met to extinguish a liability. Other entities record less than the total amount of the obligation, such as an amount allocated, an amount corresponding to the proceeds received, or the portion of the amount the entity agreed to pay among its co-obligors, on the basis of the guidance for contingent liabilities. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter. This ASU is not expected to have a significant impact on the Company's financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

(5) Investment Securities

Investment securities available for sale at March 31, 2013 and at September 30, 2012 are as follows (dollars in thousands):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|-------------------|------------------------------|-------------------------------|---------------|
| March 31, 2013: | | | | |
| U.S. government and agency obligations due: | | | | |
| Beyond 1 year but within 5 years | \$ 11,996 | \$ 87 | \$ | \$ 12,083 |
| Beyond 5 years but within 10 years | 15,999 | 34 | (41) | 15,992 |
| Corporate bonds due: | | | | |
| Beyond 1 year but within 5 years | 7,001 | 62 | (12) | 7,051 |
| Municipal obligations due: | | | | |
| Beyond 1 year but within 5 years | 5,061 | 204 | | 5,265 |
| Beyond 5 years but within 10 years | 23,161 | 1,268 | (21) | 24,408 |
| Beyond 10 years | 3,994 | 275 | | 4,269 |
| Equity securities | 1,266 | 182 | (3) | 1,445 |
| | \$ 68,478 | \$ 2,112 | \$ (77) | \$ 70,513 |

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|-------------------|------------------------------|-------------------------------|---------------|
| September 30, 2012: | | | | |
| U.S. government and agency obligations due: | | | | |
| Beyond 1 year but within 5 years | \$ 13,994 | \$ 112 | \$ | \$ 14,106 |
| Beyond 5 years but within 10 years | 7,000 | 49 | | 7,049 |
| Corporate bonds due: | | | | |
| Within 1 year | 251 | 3 | | 254 |
| Beyond 1 year but within 5 years | 7,002 | 60 | (216) | 6,846 |
| Municipal obligations due: | | | | |
| Beyond 1 year but within 5 years | 2,421 | 145 | | 2,566 |
| Beyond 5 years but within 10 years | 23,876 | 1,321 | (8) | 25,189 |
| Beyond 10 years | 4,987 | 334 | | 5,321 |
| Equity securities | 1,214 | 141 | (11) | 1,344 |
| | \$ 60,745 | \$ 2,165 | \$ (235) | \$ 62,675 |

During the three months ended March 31, 2013, gains on sales of investment securities were \$13,000 and proceeds from such sales were \$58,000. During the six months ended March 31, 2013, gains on sales of investment securities were \$19,000, losses on sales were \$6,000 and

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proceeds from such sales were \$94,000. During the three and six months ended March 31, 2012, gains on sales of investment securities were \$3,000 and \$55,000 and proceeds from such sales were \$19,000 and \$6.1 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

(5) Investment Securities (Continued)

The following table shows the fair value and gross unrealized losses on investment securities and the length of time that the securities have been in a continuous unrealized loss position at March 31, 2013 and at September 30, 2012 (dollars in thousands):

| | Less than 12 Months | | March 31, 2013 12 Months or More | | Total | |
|--|---------------------|-------------------------|-------------------------------------|-------------------------|------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| U.S. government and agency obligations | \$ 6,959 | \$ (41) | \$ | \$ | \$ 6,959 | \$ (41) |
| Corporate bonds | | | 3,988 | (12) | 3,988 | (12) |
| Municipal obligations | 3,004 | (21) | | | 3,004 | (21) |
| Equity securities | 17 | (1) | 5 | (2) | 22 | (3) |
| Total | \$ 9,980 | \$ (63) | \$ 3,993 | \$ (14) | \$ 13,973 | \$ (77) |

| | Less than 12 Months | | September 30, 2012 12 Months or More | | Total | |
|-----------------------|---------------------|-------------------------|---|-------------------------|------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Corporate bonds | \$ | \$ | \$ 4,784 | \$ (216) | \$ 4,784 | \$ (216) |
| Municipal obligations | 1,443 | (8) | | | 1,443 | (8) |
| Equity securities | 49 | (4) | 82 | (7) | 131 | (11) |
| Total | \$ 1,492 | \$ (12) | \$ 4,866 | \$ (223) | \$ 6,358 | \$ (235) |

At March 31, 2013, the Company held 17 securities in an unrealized loss position. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. The Company does not intend to sell these securities nor is it more likely than not that the Company would be required to sell these securities before their anticipated recovery, and the Company believes the collection of the investment and related interest is probable. Based on the above, the Company considers all of the unrealized losses to be temporary impairment losses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

(6) Mortgage-Backed Securities

Mortgage-backed securities available for sale at March 31, 2013 and at September 30, 2012 are as follows (dollars in thousands):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|-------------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| March 31, 2013: | | | | |
| Government pass-throughs: | | | | |
| Ginnie Mae | \$ 13,023 | \$ 204 | \$ | \$ 13,227 |
| Fannie Mae | 14,595 | 491 | | 15,086 |
| Freddie Mac | 2,416 | 164 | | 2,580 |
| Private pass-throughs | 118 | | | 118 |
| Collateralized mortgage obligations | 3,076 | 11 | (11) | 3,076 |
| | \$ 33,228 | \$ 870 | \$ (11) | \$ 34,087 |

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|-------------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| September 30, 2012: | | | | |
| Government pass-throughs: | | | | |
| Ginnie Mae | \$ 15,159 | \$ 227 | \$ (22) | \$ 15,364 |
| Fannie Mae | 18,151 | 730 | | 18,881 |
| Freddie Mac | 3,139 | 237 | | 3,376 |
| Private pass-throughs | 123 | | (1) | 122 |
| Collateralized mortgage obligations | 2,231 | 28 | | 2,259 |
| | \$ 38,803 | \$ 1,222 | \$ (23) | \$ 40,002 |

During the three and six months ended March 31, 2013 and 2012, there were no sales of mortgage-backed securities.

The following table shows the fair value and gross unrealized losses on mortgage-backed securities and the length of time that the securities have been in a continuous unrealized loss position at March 31, 2013 and at September 30, 2012 (dollars in thousands):

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| | Less than 12 Months | | March 31, 2013 12 Months or More | | Total | |
|-------------------------------------|---------------------|-------------------------|-------------------------------------|-------------------------|------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Collateralized mortgage obligations | \$ 987 | \$ (11) | \$ | \$ | \$ 987 | \$ (11) |
| Total | \$ 987 | \$ (11) | \$ | \$ | \$ 987 | \$ (11) |

| | Less than 12 Months | | September 30, 2012 12 Months or More | | Total | |
|-----------------------|---------------------|-------------------------|---|-------------------------|------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Ginnie Mae | \$ 3,943 | \$ (22) | \$ | \$ | \$ 3,943 | \$ (22) |
| Private pass-throughs | | | 122 | (1) | 122 | (1) |
| Total | \$ 3,943 | \$ (22) | \$ 122 | \$ (1) | \$ 4,065 | \$ (23) |

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March 31, 2013

(6) Mortgage-Backed Securities (Continued)

At March 31, 2013, the Company held one mortgage-backed security in an unrealized loss position. The decline in the fair value of this security resulted primarily from interest rate fluctuations. The Company does not intend to sell this security nor is it more likely than not that the Company would be required to sell this security before its anticipated recovery, and the Company believes the collection of the investment and related interest is probable. Based on the above, the Company considers all of the unrealized loss to be temporary impairment loss.

Mortgage-backed securities with a carrying value of \$22.1 million and \$17.7 million were pledged to secure repurchase agreements and public fund accounts at March 31, 2013 and at September 30, 2012, respectively.

(7) Loans Receivable and Related Allowance for Loan Losses

The following table summarizes the primary segments of the loan portfolio as of March 31, 2013 and September 30, 2012 (dollars in thousands):

| | Real Estate Loans | | | | | |
|---|---|------------------------------|--|------------|----------------|------------|
| | One-to-four- family Residential and Construction | Commercial Real Estate | Home Equity Loans and Lines of Credit | Commercial | Other Loans | Total |
| March 31, 2013: | | | | | | |
| Collectively evaluated for impairment | \$ 134,472 | \$ 89,689 | \$ 47,880 | \$ 11,661 | \$ 1,953 | \$ 285,655 |
| Individually evaluated for impairment | | 1,966 | | | | 1,966 |
| Total loans before allowance for loan losses | \$ 134,472 | \$ 91,655 | \$ 47,880 | \$ 11,661 | \$ 1,953 | \$ 287,621 |
| September 30, 2012: | | | | | | |
| Collectively evaluated for impairment | \$ 141,146 | \$ 89,665 | \$ 47,999 | \$ 11,806 | \$ 2,158 | \$ 292,774 |
| Individually evaluated for impairment | | 2,362 | | 451 | | 2,813 |
| Total loans before allowance for loan losses | \$ 141,146 | \$ 92,027 | \$ 47,999 | \$ 12,257 | \$ 2,158 | \$ 295,587 |

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The segments of the Bank's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. Real estate loans are disaggregated into three categories which include one-to-four family residential (including residential construction loans), commercial real estate (which are primarily first liens) and home equity loans and lines of credit (which are generally second liens). The commercial loan segment consists of loans made for the purpose of financing the activities of commercial customers. Other loans consist of automobile loans, consumer loans and loans secured by savings accounts. The portfolio segments utilized in the calculation of the allowance for loan losses are disaggregated at the same level that management uses to monitor risk in the portfolio. Therefore the portfolio segments and classes of loans are the same.

Management evaluates individual loans in the commercial and commercial real estate loan segments for possible impairment if the loan is in nonaccrual status or is risk rated Substandard, Doubtful or Loss and is greater than 90 days past due. Loans are considered to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The

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(7) Loans Receivable and Related Allowance for Loan Losses (Continued)

Company does not separately evaluate individual consumer and residential real estate loans for impairment, unless such loans are part of a larger relationship that is impaired, or are classified as a troubled debt restructuring (TDR). Once the determination has been made that a loan is impaired, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (a) the present value of expected future cash flows discounted at the loan's effective interest rate; (b) the loan's observable market price; or (c) the fair value of the collateral less selling costs. The method is selected on a loan by loan basis, with management primarily utilizing the fair value of collateral method. The evaluation of the need and amount of a specific allocation of the allowance and whether a loan can be removed from impairment status is made on a quarterly basis. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

Consistent with accounting and regulatory guidance, the Company recognizes a TDR when the Bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that would not normally be considered. Regardless of the form of concession granted, the Company's objective in offering a TDR is to increase the probability of repayment of the borrower's loan. To be considered a TDR, the borrower must be experiencing financial difficulties and the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that would not otherwise be considered. The Company did not modify any loans as TDRs during the three or six month periods ended March 31, 2013 or 2012 nor did it have any TDRs within the preceding year where a concession had been made that then defaulted during the three or six month periods ending March 31, 2013 or 2012.

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary at March 31, 2013 and September 30, 2012 (dollars in thousands):

| | Impaired Loans With Allowance | | Impaired Loans Without Allowance | | Total Impaired Loans | |
|------------------------|-------------------------------|-------------------|----------------------------------|---------------------|--------------------------|--|
| | Recorded Investment | Related Allowance | Recorded Investment | Recorded Investment | Unpaid Principal Balance | |
| March 31, 2013: | | | | | | |
| Commercial real estate | \$ 1,966 | \$ 440 | \$ | \$ 1,966 | \$ 1,966 | |
| Commercial | | | | | | |
| Total impaired loans | \$ 1,966 | \$ 440 | \$ | \$ 1,966 | \$ 1,966 | |
| September 30, 2012: | | | | | | |
| Commercial real estate | \$ 2,362 | \$ 709 | \$ | \$ 2,362 | \$ 2,362 | |
| Commercial | 451 | 135 | | 451 | 451 | |
| Total impaired loans | \$ 2,813 | \$ 844 | \$ | \$ 2,813 | \$ 2,813 | |

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The following table presents the average recorded investment in impaired loans and related interest income recognized for the periods indicated (dollars in thousands):

| | Three months ended March 31, | | Six months ended March 31, | |
|---|------------------------------|----------|----------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Average investment in impaired loans: | | | | |
| Commercial real estate | \$ 2,187 | \$ 2,239 | \$ 2,245 | \$ 2,527 |
| Commercial | 42 | 613 | 178 | 421 |
| Total impaired loans | \$ 2,229 | \$ 2,852 | \$ 2,423 | \$ 2,948 |
| Interest income recognized on impaired loans: | | | | |
| Accrual basis | \$ | \$ | \$ | \$ |

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential real

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March 31, 2013

(7) Loans Receivable and Related Allowance for Loan Losses (Continued)

estate loans are included in the pass categories unless a specific action, such as delinquency, bankruptcy, repossession, or death occurs to raise awareness of a possible credit event. The Bank's commercial loan officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. An annual loan review is performed for all commercial real estate and commercial loans for all commercial relationships greater than \$500,000. The Bank engages an external consultant to conduct loan reviews on at least an annual basis. Generally, the external consultant reviews commercial relationships greater than \$500,000 and all criticized relationships. Loans in the special mention, substandard or doubtful categories that are collectively evaluated for impairment are given separate consideration in the determination of the loan loss allowance.

The loan rating categories utilized by management generally follow bank regulatory definitions. The special mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a substandard classification. Loans in the substandard category have well-defined weaknesses that jeopardize the liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered substandard. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted and are charged off against the loan loss allowance. The pass category includes all loans not considered special mention, substandard, doubtful or loss.

The following table presents the classes of the loan portfolio summarized by the aggregate pass and the criticized categories of special mention, substandard and doubtful within the internal risk rating system as of March 31, 2013 and September 30, 2012 (dollars in thousands):

| | Pass | Special Mention | Substandard | Doubtful | Total |
|--|------------|--------------------|-------------|----------|------------|
| March 31, 2013: | | | | | |
| First mortgage loans: | | | | | |
| One-to-four-family residential and construction | \$ 133,732 | \$ | \$ 740 | \$ | \$ 134,472 |
| Commercial real estate | 88,675 | | 2,980 | | 91,655 |
| Home equity loans and lines of credit | 47,840 | | 40 | | 47,880 |
| Commercial loans | 11,661 | | | | 11,661 |
| Other loans | 1,952 | | | 1 | 1,953 |
| Total | \$ 283,860 | \$ | \$ 3,760 | \$ 1 | \$ 287,621 |

September 30, 2012:

First mortgage loans:

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| | | | | | | | | | | |
|---|----|---------|----|-------|----|-------|----|---|----|---------|
| One-to-four-family residential and construction | \$ | 140,057 | \$ | | \$ | 1,089 | \$ | | \$ | 141,146 |
| Commercial real estate | | 86,091 | | 2,543 | | 3,393 | | | | 92,027 |
| Home equity loans and lines of credit | | 47,933 | | | | 66 | | | | 47,999 |
| Commercial loans | | 11,806 | | | | 451 | | | | 12,257 |
| Other loans | | 2,153 | | | | 3 | | 2 | | 2,158 |
| Total | \$ | 288,040 | \$ | 2,543 | \$ | 5,002 | \$ | 2 | \$ | 295,587 |

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March 31, 2013

(7) Loans Receivable and Related Allowance for Loan Losses (Continued)

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of March 31, 2013 and September 30, 2012 (dollars in thousands):

| | Current | 30-59 Days Past Due | 60-89 Days Past Due | Non-Accrual (90 Days+) | 90 Days Past Due & Accruing | Total Loans |
|--|------------|------------------------|------------------------|---------------------------|--------------------------------|----------------|
| March 31, 2013: | | | | | | |
| First mortgage loans: | | | | | | |
| One-to-four-family residential and construction | \$ 131,096 | \$ 2,176 | \$ 460 | \$ 740 | \$ | \$ 134,472 |
| Commercial real estate | 88,571 | 571 | 547 | 1,966 | | 91,655 |
| Home equity loans and lines of credit | 47,275 | 224 | 341 | 40 | | 47,880 |
| Commercial loans | 11,607 | 54 | | | | 11,661 |
| Other loans | 1,848 | 9 | 95 | 1 | | 1,953 |
| Total | \$ 280,397 | \$ 3,034 | \$ 1,443 | \$ 2,747 | \$ | \$ 287,621 |
| September 30, 2012: | | | | | | |
| First mortgage loans: | | | | | | |
| One-to-four-family residential and construction | \$ 137,817 | \$ 1,529 | \$ 711 | \$ 1,089 | \$ | \$ 141,146 |
| Commercial real estate | 88,342 | 1,133 | 190 | 2,362 | | 92,027 |
| Home equity loans and lines of credit | 47,611 | 315 | 7 | 66 | | 47,999 |
| Commercial loans | 11,696 | 50 | 60 | 451 | | 12,257 |
| Other loans | 2,126 | 28 | 1 | 3 | | 2,158 |
| Total | \$ 287,592 | \$ 3,055 | \$ 969 | \$ 3,971 | \$ | \$ 295,587 |

An allowance for loan losses (ALL) is maintained to absorb losses from the loan portfolio. The ALL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans.

Loans that are collectively evaluated for impairment are analyzed with general allowances being made as appropriate. For general allowances, historical loss trends are used in the estimation of losses in the current portfolio. These historical loss amounts are modified by other qualitative factors. Management tracks the historical net charge-off activity for the loan segments which may be adjusted for qualitative factors. Pass rated credits are segregated from criticized credits for the application of qualitative factors. Loans in the criticized pools, which possess certain qualities or characteristics that may lead to collection and loss issues, are closely monitored by management and subject to additional qualitative

factors.

Management has identified a number of additional qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The additional factors are evaluated using information obtained from internal, regulatory, and governmental sources such as national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volumes and terms of loans; effects of changes in lending policies; value of underlying collateral; and concentrations of credit from a loan type, industry and/or geographic standpoint.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALL. Management utilizes an internally developed spreadsheet to track and apply the various components of the allowance.

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(7) Loans Receivable and Related Allowance for Loan Losses (Continued)

The following tables summarize the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment. Activity in the allowance is presented for the three and six months ended March 31, 2013 and 2012 (dollars in thousands):

| | Real Estate Loans | | | | | | |
|-------------------------------|---|------------------------------|--|------------|----------------|----------|--|
| | One-to-four- family Residential and Construction | Commercial Real Estate | Home Equity Loans and Lines of Credit | Commercial | Other Loans | Total | |
| Three Months Ended: | | | | | | | |
| Balance at December 31, 2012 | \$ 910 | \$ 2,754 | \$ 167 | \$ 140 | \$ 172 | \$ 4,143 | |
| Charge-offs | (195) | (119) | | (2) | (3) | (319) | |
| Recoveries | | 1 | | 28 | 1 | 30 | |
| Provision | 150 | | | | | 150 | |
| Balance at March 31, 2013 | \$ 865 | \$ 2,636 | \$ 167 | \$ 166 | \$ 170 | \$ 4,004 | |
| Balance at December 31, 2011 | \$ 739 | \$ 3,229 | \$ 182 | \$ (17) | \$ 192 | \$ 4,325 | |
| Charge-offs | (195) | (131) | (32) | | (3) | (361) | |
| Recoveries | 1 | 1 | | 1 | 1 | 4 | |
| Provision | 143 | (201) | (9) | 370 | (3) | 300 | |
| Balance at March 31, 2012 | \$ 688 | \$ 2,898 | \$ 141 | \$ 354 | \$ 187 | \$ 4,268 | |
| Six Months Ended: | | | | | | | |
| Balance at September 30, 2012 | \$ 826 | \$ 2,846 | \$ 173 | \$ 454 | \$ 175 | \$ 4,474 | |
| Charge-offs | (261) | (211) | (6) | (391) | (13) | (882) | |
| Recoveries | | 1 | | 28 | 8 | 37 | |
| Provision | 300 | | | 75 | | 375 | |
| Balance at March 31, 2013 | \$ 865 | \$ 2,636 | \$ 167 | \$ 166 | \$ 170 | \$ 4,004 | |
| Balance at September 30, 2011 | \$ 682 | \$ 3,024 | \$ 173 | \$ 452 | \$ 190 | \$ 4,521 | |
| Charge-offs | (195) | (185) | (32) | (500) | (5) | (917) | |
| Recoveries | 1 | 59 | | 2 | 2 | 64 | |
| Provision | 200 | | | 400 | | 600 | |
| Balance at March 31, 2012 | \$ 688 | \$ 2,898 | \$ 141 | \$ 354 | \$ 187 | \$ 4,268 | |

| | Real Estate Loans | | | | | | |
|--|---|------------------------------|--|------------|----------------|-------|--|
| | One-to-four- family Residential and Construction | Commercial Real Estate | Home Equity Loans and Lines of Credit | Commercial | Other Loans | Total | |

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| | | | | | | | | | | | | |
|-------------------------------|----|-----|----|-------|----|-----|----|-----|----|-----|-------|-------|
| Evaluated for Impairment: | | | | | | | | | | | | |
| Individually | \$ | | \$ | 440 | \$ | | \$ | | \$ | 440 | | |
| Collectively | | 865 | | 2,196 | | 167 | | 166 | | 170 | 3,564 | |
| Balance at March 31, 2013 | \$ | 865 | \$ | 2,636 | \$ | 167 | \$ | 166 | \$ | 170 | \$ | 4,004 |
| Evaluated for Impairment: | | | | | | | | | | | | |
| Individually | \$ | | \$ | 709 | \$ | | \$ | 135 | \$ | | \$ | 844 |
| Collectively | | 826 | | 2,137 | | 173 | | 319 | | 175 | | 3,630 |
| Balance at September 30, 2012 | \$ | 826 | \$ | 2,846 | \$ | 173 | \$ | 454 | \$ | 175 | \$ | 4,474 |

The ALL is based on estimates and actual losses will vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ALL that is representative of the risk found in the components of the loan portfolio at any given date.

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(8) Employee Stock Ownership Plan

The Company established a tax qualified Employee Stock Ownership Plan (ESOP) for the benefit of its employees in conjunction with the stock conversion on October 6, 2010. Eligible employees begin to participate in the plan after one year of service and become 20% vested in their accounts after two years of service, 40% after three years of service, 60% after four years of service, 80% after five years of service and 100% after six years of service or, if earlier, upon death, disability or attainment of normal retirement age.

In connection with the stock conversion, the purchase of the 278,254 shares of the Company stock by the ESOP was funded by a loan from the Company through the Bank. Unreleased ESOP shares collateralize the loan payable, and the cost of the shares is recorded as a contra-equity account in the stockholders' equity of the Company. Shares are released as debt payments are made by the ESOP to the loan. The ESOP's sources of repayment of the loan can include dividends, if any, on the unallocated stock held by the ESOP and discretionary contributions from the Company to the ESOP and earnings thereon.

Compensation expense is equal to the fair value of the shares committed to be released and unallocated ESOP shares are excluded from outstanding shares for purposes of computing earnings per share. Compensation expense related to the ESOP of \$131,000 and \$110,000 was recognized during the six months ended March 31, 2013 and 2012, respectively. Dividends on unallocated shares are not treated as ordinary dividends and are instead used to repay the ESOP loan and recorded as compensation expense.

As of March 31, 2013, the ESOP held a total of 277,886 shares of the Company's stock, and there were 245,731 unallocated shares. The fair market value of the unallocated ESOP shares was \$4.8 million at March 31, 2013.

(9) Fair Value of Assets and Liabilities

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. GAAP established a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

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Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. A contractually binding sales price also provides reliable evidence of fair value.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that utilize model-based techniques for which all significant assumptions are observable in the market.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement; inputs to the valuation methodology that utilize model-based techniques for which significant assumptions are not observable in the market; or inputs to the valuation methodology that requires significant management judgment or estimation, some of which may be internally developed.

Management maximizes the use of observable inputs and minimizes the use of unobservable inputs when determining fair value measurements. Management reviews and updates the fair value hierarchy classifications of the Company's assets and liabilities on a quarterly basis.

Assets Measured at Fair Value on a Recurring Basis

Investment and Mortgage-Backed Securities Available for Sale

Fair values of investment and mortgage-backed securities available for sale were primarily measured using information from a third-party pricing service. This service provides pricing information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data from market research publications. Level 1 securities are comprised of equity securities. As quoted prices were available, unadjusted, for identical securities in active markets, these securities were classified as Level 1 measurements. Level 2 securities were primarily comprised of debt securities issued by government agencies, states and municipalities, corporations, as well as mortgage-backed securities issued by government agencies. Fair values were estimated primarily by obtaining quoted prices for similar assets in active markets or through the use of pricing models. In cases where there may

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March 31, 2013

(9) Fair Value of Assets and Liabilities (Continued)

be limited or less transparent information provided by the Company's third-party pricing service, fair value may be estimated by the use of secondary pricing services or through the use of non-binding third-party broker quotes.

On a quarterly basis, management reviews the pricing information received from the Company's third-party pricing service. This review process includes a comparison to non-binding third-party broker quotes, as well as a review of market-related conditions impacting the information provided by the Company's third-party pricing service. Management primarily identifies investment securities which may have traded in illiquid or inactive markets by identifying instances of a significant decrease in the volume or frequency of trades, relative to historical levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. Securities that are deemed to have been trading in illiquid or inactive markets may require the use of significant unobservable inputs. As of March 31, 2013 and September 30, 2012, management did not make adjustments to prices provided by the third-party pricing service as a result of illiquid or inactive markets. On a quarterly basis, management also reviews a sample of securities priced by the Company's third-party pricing service to review significant assumptions and valuation methodologies used. Based on this review, management determines whether the current placement of the security in the fair value hierarchy is appropriate or whether transfers may be warranted.

The following table presents the assets measured at fair value on a recurring basis as of March 31, 2013 and September 30, 2012 by level within the fair value hierarchy (dollars in thousands):

| | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--|---|---|--|------------|
| March 31, 2013: | | | | |
| Investment securities available for sale: | | | | |
| U.S. government and agency obligations | \$ | \$ 28,075 | \$ | \$ 28,075 |
| Corporate bonds | | 7,051 | | 7,051 |
| Municipal obligations | | 33,942 | | 33,942 |
| Equity securities | 1,445 | | | 1,445 |
| Total investment securities available for sale | 1,445 | 69,068 | | 70,513 |
| Mortgage-backed securities available for sale | | 34,087 | | 34,087 |
| Total recurring fair value measurements | \$ 1,445 | \$ 103,155 | \$ | \$ 104,600 |
| September 30, 2012: | | | | |
| Investment securities available for sale: | | | | |
| U.S. government and agency obligations | \$ | \$ 21,155 | \$ | \$ 21,155 |

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| | | | | |
|--|----------|------------|----|------------|
| Corporate bonds | | 7,100 | | 7,100 |
| Municipal obligations | | 33,076 | | 33,076 |
| Equity securities | 1,344 | | | 1,344 |
| Total investment securities available for sale | 1,344 | 61,331 | | 62,675 |
| Mortgage-backed securities available for sale | | 40,002 | | 40,002 |
| Total recurring fair value measurements | \$ 1,344 | \$ 101,333 | \$ | \$ 102,677 |

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(9) Fair Value of Assets and Liabilities (Continued)**Assets Measured at Fair Value on a Nonrecurring Basis**

The following table presents the assets measured at fair value on a nonrecurring basis as of March 31, 2013 and September 30, 2012 by level within the fair value hierarchy (dollars in thousands):

| | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--|---|---|--|----------|
| March 31, 2013: | | | | |
| Foreclosed real estate | \$ | \$ | \$ 1,245 | \$ 1,245 |
| Impaired loans | | | 1,526 | 1,526 |
| Total nonrecurring fair value measurements | \$ | \$ | \$ 2,771 | \$ 2,771 |
| September 30, 2012: | | | | |
| Foreclosed real estate | \$ | \$ | \$ 463 | \$ 463 |
| Impaired loans | | | 1,969 | 1,969 |
| Total nonrecurring fair value measurements | \$ | \$ | \$ 2,432 | \$ 2,432 |

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Company uses level 3 inputs to determine fair value (dollars in thousands):

| | | | | | | | |
|------------------------|----|-------|----|-------|-----------------------------------|---------------------------|-------------------|
| Foreclosed real estate | \$ | 1,245 | \$ | 463 | Appraisal of collateral (1) | Appraisal adjustments (2) | 0% to -40% (-25%) |
| | | | | | | Liquidation expenses (2) | 0% to -10% (-5%) |
| Impaired loans | \$ | 1,526 | \$ | 1,969 | Fair value of collateral (1), (3) | Appraisal adjustments (2) | 0% to -40% (-25%) |
| | | | | | | Liquidation expenses (2) | 0% to -10% (-5%) |

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.

The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

(3) Includes qualitative adjustments by management and estimated liquidation expenses.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

(9) Fair Value of Assets and Liabilities (Continued)

Disclosures about Fair Value of Financial Instruments

The assumptions used below are expected to approximate those that market participants would use in valuing the following financial instruments.

Loans Receivable and Loans Held for Sale

The fair value of the Company's loans was estimated by discounting the expected future cash flows using the current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans were first segregated by type such as commercial, real estate, and home equity, and were then further segmented into fixed and variable rate and loan quality categories. Expected future cash flows were projected based on contractual cash flows, adjusted for estimated prepayments. The fair value of loans held for sale was estimated based on the price committed to sell the loan in the secondary market.

Certificate Deposit Accounts

The fair values of the Company's certificate deposit accounts were estimated using discounted cash flow analyses. The discount rates used were based on rates currently offered for deposits with similar remaining maturities. The fair values of the Company's certificate deposit accounts do not take into consideration the value of the Company's long-term relationships with depositors, which may have significant value.

Federal Home Loan Bank advances

The fair value of Federal Home Loan Bank advances was calculated using a discounted cash flow approach that applies a comparable FHLB advance rate to the weighted average maturity of the borrowings.

Other Financial Instruments

The carrying amounts reported in the consolidated statements of financial condition approximate fair value for the following financial instruments (Level 1): cash on hand and due from banks, interest-earning deposits in other institutions, Federal Home Loan Bank stock, accrued interest receivable, bank-owned life insurance, demand, savings and club accounts, securities sold under agreements to repurchase and accrued interest payable. For short-term financial assets, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization. For financial liabilities such as interest and noninterest-bearing demand, savings and club accounts, the carrying amount is a reasonable estimate of fair value due to these products having no stated maturity. For financial liabilities such as the Company's securities sold under agreements to repurchase which are with commercial deposit customers, the carrying amount is a reasonable estimate of fair value due to the short time nature of the agreement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

(9) Fair Value of Assets and Liabilities (Continued)

The following table presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of March 31, 2013 and September 30, 2012 (dollars in thousands):

| | Carrying Amount | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Fair Value Measurements Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|--------------------|---|--|--|
| March 31, 2013: | | | | |
| Financial Instruments - Assets: | | | | |
| Cash on hand and due from banks | \$ 2,179 | \$ 2,179 | \$ | \$ |
| Interest-earning deposits in other institutions | 11,612 | 11,612 | | |
| Investment securities | 70,513 | 1,445 | 69,068 | |
| Mortgage-backed securities | 34,087 | | 34,087 | |
| Federal Home Loan Bank stock | 2,955 | 2,955 | | |
| Loans receivable | 283,617 | | | 294,181 |
| Loans held for sale | 393 | 398 | | |
| Bank-owned life insurance | 13,495 | 13,495 | | |
| Accrued interest receivable | 1,287 | 1,287 | | |
| Financial Instruments - Liabilities: | | | | |
| Demand, savings and club accounts | 190,931 | 190,931 | | |
| Certificate deposit accounts | 134,214 | | | 140,395 |
| Federal Home Loan Bank advances | 28,588 | | | 28,932 |
| Securities sold under agreements to repurchase | 3,275 | 3,275 | | |
| Accrued interest payable | 223 | 223 | | |
| September 30, 2012: | | | | |
| Financial Instruments - Assets: | | | | |
| Cash on hand and due from banks | \$ 1,729 | \$ 1,729 | \$ | \$ |
| Interest-earning deposits in other institutions | 14,045 | 14,045 | | |
| Federal funds sold | 3,000 | 3,000 | | |
| Investment securities | 62,675 | 1,344 | 61,331 | |
| Mortgage-backed securities | 40,002 | | 40,002 | |
| Federal Home Loan Bank stock | 2,683 | 2,683 | | |
| Loans receivable | 291,113 | | | 301,798 |
| Loans held for sale | 905 | 932 | | |
| Bank-owned life insurance | 10,282 | 10,282 | | |
| Accrued interest receivable | 1,313 | 1,313 | | |
| Financial Instruments - Liabilities: | | | | |

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| | | | |
|--|---------|---------|---------|
| Demand, savings and club accounts | 192,266 | 192,266 | |
| Certificate deposit accounts | 138,033 | | 145,059 |
| Federal Home Loan Bank advances | 26,849 | | 27,330 |
| Securities sold under agreements to repurchase | 3,232 | 3,232 | |
| Accrued interest payable | 225 | 225 | |

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The following table presents the significant amounts reclassified out of accumulated other comprehensive income and the changes in accumulated other comprehensive income by component for the three months ended March 31, 2013:

| | Net Unrealized Gains (Losses) on Investment Securities | Affected Line on the Consolidated Statement of Income |
|--|--|---|
| Accumulated Other Comprehensive Income - January 1, 2013 | \$ 1,930 | |
| Net unrealized losses arising during the period before tax | (17) | |
| Tax effect | 6 | |
| Net unrealized losses arising during the period after tax | (11) | |
| Reclassification adjustment for security gains realized in net income before tax | (13) | Net securities gains |
| Tax effect | 4 | Income tax expense |
| Reclassification adjustment for security gains realized in net income after tax | (9) | |
| Total other comprehensive loss | (20) | |
| Accumulated Other Comprehensive Income - March 31, 2013 | \$ 1,910 | |

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides further detail to the financial condition and results of operations of the Company. The section should be read in conjunction with the notes and unaudited consolidated financial statements presented elsewhere in this report.

The Company's critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of March 31, 2013 have remained unchanged from the disclosures presented in the Company's Annual Report on Form 10-K for the year ended September 30, 2012 under the section Management's Discussion and Analysis of Financial Condition and Results of Operation.

Forward-looking statements in this report relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The information contained in this report should be read in conjunction with the Company's most recent annual report filed with the Securities and Exchange Commission on Form 10-K for the year ended September 30, 2012. Investors are cautioned that forward-looking statements include risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements, including without limitation, the effect of regional and national general economic conditions; competition among depository and other financial institutions; inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments; adverse changes in the securities markets; changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements; our ability to enter new markets successfully and capitalize on growth opportunities; our ability to successfully integrate acquired entities, if any; changes in consumer spending, borrowing and savings habits; changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board; changes in our organization, compensation and benefit plans; changes in our financial condition or results of operations that reduce capital available to pay dividends; changes in the financial condition or future prospects of issuers of securities that we own. The

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Company does not assume any duty to update forward-looking statements.

Standard Financial Corp. is a Maryland corporation that provides a wide array of retail and commercial financial products and services to individuals, families and businesses through ten banking offices located in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland through its wholly-owned subsidiary Standard Bank.

Comparison of Financial Condition at March 31, 2013 and September 30, 2012

General. The Company's total assets decreased \$7.1 million, or 1.6%, to \$436.3 million at March 31, 2013 from \$443.4 million at September 30, 2012. The decrease was due primarily to a \$7.5 million decrease in loans receivable, a \$5.0 million decrease in cash and cash equivalents and a \$5.9 million decrease in mortgage-backed securities. Partly offsetting these decreases were \$3.0 million of additional purchases of bank-owned life insurance and an increase of \$7.8 million in investment securities during the six months ended March 31, 2013. Total liabilities decreased \$3.6 million, or 1.0%, to \$359.7 million at March 31, 2013 from \$363.3 million at September 30, 2012 due to net deposit outflows of \$5.2 million partly offset by a \$1.7 million increase in Federal Home Loan Bank advances.

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Cash and Cash Equivalents. Cash and cash equivalents decreased \$5.0 million, or 26.6%, to \$13.8 million at March 31, 2013 from \$18.8 million at September 30, 2012 due mainly to deposit outflows, the purchase of additional bank owned life insurance and investment securities and funds used to repurchase the Company's common stock.

Loans. At March 31, 2013, net loans were \$283.6 million, or 65.0% of total assets compared to \$291.1 million, or 65.7% of total assets at September 30, 2012. The \$7.5 million, or 2.6% decrease, was due primarily to a \$6.7 million decline in the one- to four-family residential real estate portfolio as a result of increased loan repayments and sales of longer term fixed rate loan production which exceeded new loan originations held in portfolio.

Investment Securities. Investment securities available for sale increased \$7.8 million to \$70.5 million at March 31, 2013 from \$62.7 million at September 30, 2012. Purchases of \$15.0 million of investment securities during the six months ended March 31, 2013 consisted primarily of government agency bonds. The purchases were offset by calls of government agency bonds totaling \$7.0 million during the six months ended March 31, 2013.

Mortgage-Backed Securities. The Company's mortgage-backed securities available for sale decreased \$5.9 million to \$34.1 million at March 31, 2013 from \$40.0 million at September 30, 2012 due mainly to repayments of mortgage-backed securities during the six month period.

Deposits. We accept deposits primarily from the areas in which our offices are located. We have consistently focused on building broader customer relationships and targeting small business customers to increase our core deposits. We also rely on our customer service to attract and retain deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of savings accounts, certificates of deposit, money market accounts, commercial and regular checking accounts and individual retirement accounts. We do not accept brokered deposits. Interest rates, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements and our deposit growth goals.

Deposits decreased \$5.2 million, or 1.6%, to \$325.1 million at March 31, 2013 from \$330.3 million at September 30, 2012. The decrease resulted primarily from a \$3.8 million, or 2.8%, decrease in certificate of deposit accounts and \$1.3 million, or 0.7%, decrease in demand and savings accounts during the six months ended March 31, 2013 due in part to changes in customer investment preferences and seasonal cash usage.

Borrowings. Our borrowings consist of advances from the Federal Home Loan Bank of Pittsburgh and funds borrowed under repurchase agreements. Total borrowings increased \$1.8 million, or 6.0%, to \$31.9 million at March 31, 2013 from \$30.1 million at September 30, 2012. The increase was due primarily to additional Federal Home Loan Bank advances of \$7.4 million partly offset by the repayment of \$5.6 million of maturing advances during the six months ended March 31, 2013.

Stockholders' Equity. Stockholders' equity decreased \$3.5 million, or 4.4%, to \$76.6 million at March 31, 2013 from \$80.1 million at September 30, 2012. The decrease was due primarily to the repurchase of the Company's common stock totaling \$5.0 million partly offset by net income of \$1.5 million for the six months ended March 31, 2013.

Average Balance and Yields

The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments were made. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

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| | | | | | | | | | | |
|---|----|---------|----|---------|-------|----|---------|----|---------|-------|
| Interest-earning assets: | | | | | | | | | | |
| Loans | \$ | 291,993 | \$ | 3,420 | 4.69% | \$ | 297,932 | \$ | 3,717 | 4.99% |
| Investment and mortgage-backed securities | | 102,099 | | 575 | 2.25% | | 102,466 | | 656 | 2.56% |
| Interest earning deposits | | 8,714 | | 1 | 0.05% | | 11,219 | | 1 | 0.04% |
| Total interest-earning assets | | 402,806 | | 3,996 | 3.97% | | 411,617 | | 4,374 | 4.25% |
| Noninterest-earning assets | | 32,061 | | | | | 27,569 | | | |
| Total assets | \$ | 434,867 | | | | \$ | 439,186 | | | |
| Interest-bearing liabilities: | | | | | | | | | | |
| Savings accounts | \$ | 109,432 | | 34 | 0.12% | \$ | 110,951 | | 46 | 0.17% |
| Certificates of deposit | | 135,803 | | 785 | 2.31% | | 139,445 | | 853 | 2.45% |
| Money market accounts | | 6,880 | | 2 | 0.12% | | 5,750 | | 3 | 0.21% |
| Demand and NOW accounts | | 72,423 | | 12 | 0.07% | | 68,257 | | 11 | 0.06% |
| Total deposits | | 324,538 | | 833 | 1.03% | | 324,403 | | 913 | 1.13% |
| Federal Home Loan Bank advances | | 24,732 | | 128 | 2.07% | | 29,707 | | 187 | 2.52% |
| Securities sold under agreements to repurchase | | 3,510 | | 1 | 0.11% | | 3,261 | | 2 | 0.25% |
| Total interest-bearing liabilities | | 352,780 | | 962 | 1.09% | | 357,371 | | 1,102 | 1.23% |
| Noninterest-bearing liabilities | | 3,080 | | | | | 3,048 | | | |
| Total liabilities | | 355,860 | | | | | 360,419 | | | |
| Stockholders' equity | | 79,007 | | | | | 78,767 | | | |
| Total liabilities and stockholders' equity | \$ | 434,867 | | | | \$ | 439,186 | | | |
| Net interest income | | | \$ | 3,034 | | | | \$ | 3,272 | |
| Net interest rate spread (1) | | | | | 2.88% | | | | | 3.02% |
| Net interest-earning assets (2) | \$ | 50,026 | | | | \$ | 54,246 | | | |
| Net interest margin (3) | | | | | 3.01% | | | | | 3.18% |
| Average interest-earning assets to interest-bearing liabilities | | | | 114.18% | | | | | 115.18% | |

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average total interest-earning assets.

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| | For the Six Months Ended March 31, | | | | | |
|---|------------------------------------|----------|--|-----------------------------------|----------|----------------|
| | 2013 | | | 2012 | | |
| | Average Outstanding Balance | Interest | Yield/ Rate (Dollars in thousands) | Average Outstanding Balance | Interest | Yield/ Rate |
| Interest-earning assets: | | | | | | |
| Loans | \$ 293,933 | \$ 6,883 | 4.68% | \$ 294,834 | \$ 7,504 | 5.09% |
| Investment and mortgage-backed securities | 101,816 | 1,168 | 2.29% | 102,754 | 1,309 | 2.55% |
| Interest earning deposits | 9,022 | 3 | 0.07% | 11,460 | 2 | 0.03% |
| Total interest-earning assets | 404,771 | 8,054 | 3.98% | 409,048 | 8,815 | 4.31% |
| Noninterest-earning assets | 31,745 | | | 28,953 | | |
| Total assets | \$ 436,516 | | | \$ 438,001 | | |
| Interest-bearing liabilities: | | | | | | |
| Savings accounts | \$ 109,519 | 71 | 0.13% | \$ 112,502 | 109 | 0.19% |
| Certificates of deposit | 136,535 | 1,595 | 2.34% | 138,124 | 1,704 | 2.47% |
| Money market accounts | 6,843 | 4 | 0.12% | 6,263 | 5 | 0.16% |
| Demand and NOW accounts | 72,559 | 26 | 0.07% | 67,084 | 24 | 0.07% |
| Total deposits | 325,456 | 1,696 | 1.04% | 323,973 | 1,842 | 1.14% |
| Federal Home Loan Bank advances | 25,610 | 282 | 2.20% | 28,960 | 381 | 2.63% |
| Securities sold under agreements to repurchase | 3,497 | 2 | 0.11% | 3,662 | 4 | 0.22% |
| Total interest-bearing liabilities | 354,563 | 1,980 | 1.12% | 356,595 | 2,227 | 1.25% |
| Noninterest-bearing liabilities | 2,441 | | | 2,825 | | |
| Total liabilities | 357,004 | | | 359,420 | | |
| Stockholders equity | 79,512 | | | 78,581 | | |
| Total liabilities and stockholders equity | \$ 436,516 | | | \$ 438,001 | | |
| Net interest income | | \$ 6,074 | | | \$ 6,588 | |
| Net interest rate spread (1) | | | 2.86% | | | 3.06% |
| Net interest-earning assets (2) | \$ 50,208 | | | \$ 52,453 | | |
| Net interest margin (3) | | | 3.00% | | | 3.22% |
| Average interest-earning assets to interest-bearing liabilities | 114.16% | | | 114.71% | | |

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average total interest-earning assets.

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Comparison of Operating Results for the Three Months Ended March 31, 2013 and 2012

General. Net income for the quarter ended March 31, 2013 was \$721,000 compared to \$782,000 for the quarter ended March 31, 2012, a decrease of \$61,000, or 7.8%. The decrease was primarily the result of a decline in net interest income of \$238,000, or 7.3% and higher noninterest expenses of \$167,000, or 6.6%. Partially offsetting these items were a lower provision for loan losses of \$150,000, or 50.0%, higher noninterest income of \$103,000, or 17.4%, and lower income tax expense of \$91,000, or 33.8%.

Net Interest Income. Net interest income for the quarter ended March 31, 2012 was \$3.3 million compared to \$3.0 million for the quarter ended March 31, 2013. Our net interest rate spread and net interest margin were 2.88% and 3.01%, respectively for the three months ended March 31, 2013 compared to 3.02% and 3.18% for the same period in the prior year. The decrease in the net interest rate spread and net interest margin was the result of the yield on interest-earning assets declining more rapidly than the cost of interest-bearing liabilities.

Interest and Dividend Income. Total interest and dividend income decreased by \$378,000, or 8.6%, to \$4.0 million for the three months ended March 31, 2013 compared to the same period in the prior year. The decrease was primarily due to a decrease in the average yield on interest-earning assets. The average yield on interest-earning assets decreased to 3.97% for the three months ended March 31, 2013 from 4.25% for the same period in the prior year. Additionally, average interest-earning assets decreased to \$402.8 million for the three months ended March 31, 2013 from \$411.6 million for the same period in 2012.

Interest income on loans decreased \$297,000, or 8.0%, to \$3.4 million for the three months ended March 31, 2013 compared to the three months ended March 31, 2012. The average yield on loans receivable decreased to 4.69% for the three months ended March 31, 2013 from 4.99% for the same period in the prior year. The decrease in average yield was primarily attributable to our variable rate loans adjusting downward as prime and short-term interest rates remained low as well as the origination of new loans in a generally lower interest rate environment and repayment/refinance of higher rate loans. Average loans receivable decreased by \$5.9 million, or 2.0%, to \$292.0 million for the three months ended March 31, 2013 from \$297.9 million for the same period in the prior year resulting from increased loan repayments.

Interest income on investment and mortgage-backed securities decreased by \$81,000, or 12.3%, to \$575,000 for the three months ended March 31, 2013 from \$656,000 for the same period in the prior year. This decrease was due to a decrease in the average yield earned on investments and mortgage-backed securities to 2.25% for the three months ended March 31, 2013 from 2.56% for the same period in the prior year due to new investments added in a lower interest rate environment and variable rate investments that adjusted downward.

Interest Expense. Total interest expense decreased by \$140,000, or 12.7%, to \$962,000 for the three months ended March 31, 2013 from \$1.1 million for the same period in the prior year. This decrease in interest expense was primarily due to a decrease in the average cost of interest-bearing liabilities to 1.09% for the three months ended March 31, 2013 from 1.23% for the same prior year period. Additionally, the average balance of interest-bearing liabilities decreased \$4.6 million, or 1.3%, to \$352.8 million for the three months ended March 31, 2013 from \$357.4 million for the same period in the prior year.

Interest expense on deposits decreased by \$80,000, or 8.8%, to \$833,000 for the three months ended March 31, 2013 from \$913,000 for the same period in the prior year. The average cost of deposits declined from 1.13% for the three months ended March 31, 2012 to 1.03% for the three months ended March 31, 2013. The continued low level of market interest rates enabled us to reduce the rates of interest paid on deposit

products.

Interest expense on Federal Home Loan Bank advances decreased \$59,000, or 31.6%, to \$128,000 for the three months ended March 31, 2013 from \$187,000 for the same period in the prior year. The average balance of advances decreased \$5.0 million, or 16.7%, to \$24.7 million for the three months ended March 31, 2013 compared to the same period in the prior year. In addition, the average cost of advances decreased to 2.07% for the quarter ended March 31, 2013 from 2.52% for the quarter ended March 31, 2012 as higher rate advances matured and were repaid.

Provision for Loan Losses. The provision for loan losses decreased by \$150,000 to \$150,000 for the three months ended March 31, 2013 from \$300,000 for the same period in the prior year due in part to an improvement in delinquency trends. Non-performing loans at March 31, 2013 were \$2.7 million or 0.96% of total loans, \$4.0 million or 1.34% of total loans at September 30, 2012 and \$4.4 million or 1.48% of total loans at March 31, 2012. The provision that was recorded was sufficient, in management's judgment, to bring the allowance for loan losses to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience. See Non-Performing and Problem Assets for additional information.

Noninterest Income. Noninterest income increased \$103,000, or 17.4%, to \$694,000 for the three months ended March 31, 2013 from \$591,000 for the same period in 2012. The increase was due mainly to higher net loan sale gains of \$36,000 resulting from a higher volume of loan sales, increased earnings on bank-owned life insurance of \$26,000 and higher annuity and mutual fund fees of \$17,000.

Noninterest Expenses. Noninterest expenses increased by \$167,000, or 6.6%, to \$2.7 million for the three months ended March 31, 2013 compared to the same period in the prior year. Compensation and employee benefits increased \$160,000 for the quarter ended March 31, 2013 compared to the same period in the prior year due to general cost increases in personnel expenses and stock award expense for the grants of stock options and restricted stock that were made on July 26, 2012.

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Income Tax Expense. The Company recorded a provision for income tax of \$178,000 for the three months ended March 31, 2013 compared to \$269,000 for the three months ended March 31, 2012. The effective tax rate was 19.8% for the three months ended March 31, 2013 and 25.6% for the three months ended March 31, 2012, which was lower due in part to a higher level of nontaxable income.

Comparison of Operating Results for the Six Months Ended March 31, 2013 and 2012

General. Net income for the six months ended March 31, 2013 was \$1.5 million compared to \$1.6 million for the six months ended March 31, 2012, a decrease of \$138,000, or 8.6%. The decrease was primarily the result of a decline in net interest income of \$514,000, or 7.8% and higher noninterest expenses of \$194,000, or 3.9%. Partially offsetting these items were a lower provision for loan losses of \$225,000, or 37.5%, higher noninterest income of \$195,000, or 16.5%, and lower income tax expense of \$150,000, or 23.8%.

Net Interest Income. Net interest income for the six months ended March 31, 2013 was \$6.1 million compared to \$6.6 million for the six months ended March 31, 2012. Our net interest rate spread and net interest margin were 2.86% and 3.00%, respectively for the six months ended March 31, 2013 compared to 3.06% and 3.22% for the same period in the prior year. The decrease in the net interest rate spread and net interest margin was the result of the yield on interest-earning assets declining more rapidly than the cost of interest-bearing liabilities.

Interest and Dividend Income. Total interest and dividend income decreased by \$761,000, or 8.6%, to \$8.1 million for the six months ended March 31, 2013 compared to the same period in the prior year. The decrease was due primarily to a decrease in the average yield on interest-earning assets. The average yield on interest-earning assets decreased to 3.98% for the six months ended March 31, 2013 from 4.31% for the same period in the prior year. Average interest-earning assets decreased to \$404.8 million for the six months ended March 31, 2013 from \$409.0 million for the same period in the prior year.

Interest income on loans decreased \$621,000, or 8.3%, to \$6.9 million for the six months ended March 31, 2013 due to a decrease in the average yield on loans. The average yield on loans receivable decreased to 4.68% for the six months ended March 31, 2013 from 5.09% for the same period in the prior year. The decrease in average yield was primarily attributable to our variable rate loans adjusting downward as prime and short-term interest rates remained low as well as the origination of new loans in a generally lower interest rate environment and repayment/refinance of higher rate loans.

Interest income on investment and mortgage-backed securities decreased by \$141,000, or 10.8%, to \$1.2 million for the six months ended March 31, 2013 from \$1.3 million for the same period in the prior year. This decrease was due in part to a decrease in the average yield earned on investments and mortgage-backed securities to 2.29% for the six months ended March 31, 2013 from 2.55% for the same period in the prior year due to new investments added in a lower interest rate environment and variable rate investments that adjusted downward. Additionally, the average balance of investment and mortgage-backed securities decreased by \$938,000, or 0.9%, to \$101.8 million for the six months ended March 31, 2013 from \$102.8 million for the same period in the prior year.

Interest Expense. Total interest expense decreased by \$247,000, or 11.1%, to \$2.0 million for the six months ended March 31, 2013 from \$2.2 million for the same period in the prior year. This decrease in interest expense was due primarily to a decrease in the average cost of interest-bearing liabilities to 1.12% for the six months ended March 31, 2013 from 1.25% for the same prior year period. The average balance of interest-bearing liabilities of \$354.6 million for the six months ended March 31, 2013 declined \$2.0 million, or 0.6%, from \$356.6 million for

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the six months ended March 31, 2012.

Interest expense on deposits decreased by \$146,000, or 7.9%, to \$1.7 million for the six months ended March 31, 2013 from \$1.8 million for the same period in the prior year. The average cost of deposits declined from 1.14% for the six months ended March 31, 2012 to 1.04% for the six months ended March 31, 2013. The continued low level of market interest rates enabled us to reduce the rates of interest paid on deposit products. Partially offsetting this decrease in interest expense on deposits was an increase in the average balance of deposits which increased \$1.5 million, or 0.5%, to \$325.5 million for the six months ended March 31, 2013 from the same period in the prior year.

Interest expense on Federal Home Loan Bank advances decreased \$99,000, or 26.0%, to \$282,000 for the six months ended March 31, 2013 from \$381,000 for the same period in the prior year. The average balance of advances decreased \$3.4 million, or 11.6%, to \$25.6 million for the six months ended March 31, 2013 compared to the same period in the prior year. In addition, the average cost of advances decreased to 2.20% for the six months ended March 31, 2013 from 2.63% for the six months ended March 31, 2012 as higher rate advances matured and were repaid.

Provision for Loan Losses. The provision for loan losses decreased by \$225,000 to \$375,000 for the six months ended March 31, 2013 from \$600,000 for the same period in the prior year due in part to an improvement in delinquency trends. Non-performing loans at March 31, 2013 were \$2.7 million or 0.96% of total loans, \$4.0 million or 1.34% of total loans at September 30, 2012 and \$4.4 million or 1.48% of total loans at March 31, 2012. The provision that was recorded was sufficient, in management's judgment, to bring the allowance for loan losses to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience. See Non-Performing and Problem Assets for additional information.

Noninterest Income. Noninterest income increased \$195,000, or 16.5%, to \$1.4 million for the six months ended March 31, 2013 from \$1.2 million for the same period in the prior year. The increase was due mainly to higher net loan sale gains of \$112,000 resulting from a higher volume of loan sales and increased service fee income of \$55,000.

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Noninterest Expenses. Noninterest expenses increased by \$194,000, or 3.9%, to \$5.1 million for the six months ended March 31, 2013 compared to the same period in the prior year. Compensation and employee benefits increased \$282,000, or 9.9%, for the six months ended March 31, 2013 compared to the same period in the prior year due to general cost increases in personnel expenses and stock award expense for the grants of stock options and restricted stock that were made on July 26, 2012. Other operating expenses declined \$89,000, or 9.7%, for the six months ended March 31, 2013 compared to the same period in the prior year due to lower expenses relating to foreclosed real estate properties in addition to reduced losses on the final disposition of the real estate owned properties.

Income Tax Expense. The Company recorded a provision for income tax of \$480,000 for the six months ended March 31, 2013 compared to \$630,000 for the six months ended March 31, 2012. The effective tax rate was 24.6% for the six months ended March 31, 2013 and 28.1% for the six months ended March 31, 2012, which was lower due in part to a higher level of nontaxable income.

Non-Performing and Problem Assets

There were no loans in arrears 90 days or more and still accruing interest at March 31, 2013. Loans in arrears 90 days or more or in process of foreclosure (non-accrual loans) were as follows:

| | Number of Loans | Amount (Dollars in thousands) | Percentage of Loans Receivable |
|--------------------|-----------------|----------------------------------|-----------------------------------|
| March 31, 2013 | 17 | \$ 2,747 | 0.96% |
| September 30, 2012 | 26 | 3,971 | 1.34 |

At March 31, 2013 and September 30, 2012, the Company had impaired loans totaling \$2.0 million and \$2.8 million, respectively. The largest impaired loan at both dates was a \$1.0 million loan representing a 6% interest in a participation loan that was secured by commercial real estate and a mall in West Virginia. Foreclosure on this loan was initiated by the participating banks but a declaration of bankruptcy by the borrower has caused a delay in this process. The second largest impaired loan at both dates was a \$700,000 loan which was secured by commercial real estate and a restaurant in Maryland. The borrower on this loan has declared bankruptcy which also delayed foreclosure proceedings.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations. Our primary sources of funds consist of deposit inflows, loan repayments and sales, advances from the Federal Home Loan Bank of Pittsburgh, repurchase agreements and maturities, principal repayments and the sale of available-for-sale securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. Our Asset/Liability Management Committee, under the direction of our Chief Financial Officer, is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we have enough sources of liquidity to satisfy our short- and long-term liquidity needs as of March 31, 2013.

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At March 31, 2013, we had \$15.9 million in loan commitments outstanding of which \$14.8 million were for commercial loans and \$1.1 million for one-to four-family residential loans. In addition to commitments to originate loans, we had \$14.0 million in unused lines of credit to borrowers and \$793,000 in undisbursed funds for construction loans in process. Certificates of deposit due within one year of March 31, 2013 totaled \$33.0 million, or 10.0% of total deposits. If these deposits do not remain with us, we may be required to seek other sources of funds, including loan and securities sales, repurchase agreements and Federal Home Loan Bank advances. The maximum borrowing capacity at the FHLB at March 31, 2013 was \$129.6 million.

Current regulatory requirements specify that the Bank and similar institutions must maintain leverage capital equal to 4% of adjusted total assets and risk-based capital equal to 8% of risk-weighted assets. The Federal Deposit Insurance Corporation (FDIC) may require higher core capital ratios if warranted, and institutions are to maintain capital levels consistent with their risk exposures. The FDIC reserves the right to apply this higher standard to any insured financial institution when considering an institution s capital adequacy. At March 31, 2013, Standard Bank was in compliance with all regulatory capital requirements with leverage and risk-based capital ratios of 13.63% and 21.92%, respectively, and was considered well capitalized under regulatory guidelines.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

ITEM 4. Controls and Procedures

The Company s management evaluated, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company s disclosure controls and procedures, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are

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effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

At March 31, 2013, the Company is not involved in any pending legal proceedings other than non-material legal proceedings undertaken in the ordinary course of business.

ITEM 1A. Risk Factors

Not applicable to smaller reporting companies.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information with respect to purchases made by or on behalf of the Company of shares of common stock of the Company during the indicated periods.

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum number of Shares That May Yet Be Purchased Under the Plans or Programs (1) |
|---------------------|----------------------------------|------------------------------|--|--|
| January 1-31, 2013 | | \$ | | 166,400 |
| February 1-28, 2013 | | | | 166,400 |
| March 1-31, 2013 | 186,397 | 20.00 | 186,397 | 321,003 |
| Totals | 186,397 | \$ 20.00 | 186,397 | |

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(1) On October 20, 2011, the Company announced that the Board of Directors authorized the repurchase of up to 347,000 shares, or approximately 10%, of the Company's outstanding common stock. On March 12, 2013, the Company announced that the Board of Directors authorized the repurchase of up to 341,000 shares, or approximately 10%, of the Company's outstanding common stock. The stock repurchase program may be carried out through open market purchases, block trades, negotiated private transactions and pursuant to a plan adopted in accordance with Rule 10b5-1 of the SEC's rules. The stock will be repurchased on an ongoing basis and will be subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital and the Company's financial performance.

ITEM 3. **Defaults Upon Senior Securities**

Not Applicable

ITEM 4. **Mine Safety Disclosures**

Not Applicable

ITEM 5. **Other Information**

None

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ITEM 6 Exhibits

| | |
|---------|--|
| 3.1 | Articles of Incorporation of Standard Financial Corp.* |
| 3.2 | Bylaws of Standard Financial Corp.* |
| 4 | Form of Common Stock Certificate of Standard Financial Corp.* |
| 10.1 | Form of Standard Bank, PaSB Employee Stock Ownership Plan* |
| 10.2 | Form of Standard Financial Corp. and Standard Bank, PaSB Three-Year Employment Agreement* |
| 10.3 | Form of Standard Financial Corp. and Standard Bank, PaSB Two-Year Employment Agreement* |
| 10.4 | Form of Standard Bank, PaSB Change in Control Agreement* |
| 10.5 | Form of Phantom Stock Agreement for Officers* |
| 10.6 | Form of Phantom Stock Agreement for Directors* |
| 10.7 | Chief Financial Officer Performance Based Compensation Plan* |
| 10.8 | Chief Commercial Lending Officer Performance Based Compensation Plan* |
| 10.9 | Non-Compete Agreement between Standard Bank, PaSB and David C. Mathews* |
| 10.10 | 2012 Equity Incentive Plan ** |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document *** |
| 101.SCH | XBRL Taxonomy Extension Schema Document *** |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document *** |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document *** |

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101.LAB XBRL Taxonomy Label Linkbase Document ***

101.PRE XBRL Taxonomy Presentation Linkbase Document ***

* Incorporated by reference to the Registration Statement on Form S-1 of Standard Financial Corp. (File No. 333-167579), originally filed with the Securities and Exchange Commission on June 17, 2010, as amended.

** Incorporated by reference to Appendix A to the proxy statement for the Company's Annual Meeting of Stockholders (File No. 001-34893), filed by the Company with the Securities and Exchange Commission on Schedule 14A on January 18, 2012.

*** We have attached these documents formatted in XBRL (Extensible Business Reporting Language) as Exhibit 101 to this report. We advise users of this data that pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STANDARD FINANCIAL CORP.

| Signatures | Title | Date |
|--|--|-------------|
| /s/ Timothy K. Zimmerman Timothy K. Zimmerman | President, Chief Executive Officer and Director (Principal Executive Officer) | May 9, 2013 |
| /s/ Colleen M. Brown Colleen M. Brown | Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) | May 9, 2013 |