

Standard Financial Corp.  
Form 10-Q  
May 10, 2012  
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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, 2012

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)

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**Maryland** **27-3100949**  
(State or other jurisdiction of **(I.R.S. Employer**  
**incorporation or organization)** **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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,413,173 shares, par value \$0.01, at May 1, 2012.

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**Standard Financial Corp.**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****Standard Financial Corp.****Consolidated Statements of Financial Condition (Unaudited)****(Dollars in thousands)**

	March 31, 2012	September 30, 2011
<b>ASSETS</b>		
Cash on hand and due from banks	\$ 1,688	\$ 1,869
Interest-earning deposits in other institutions	16,554	10,789
Cash and Cash Equivalents	18,242	12,658
Investment securities available for sale, at fair value	63,210	62,946
Mortgage-backed securities available for sale, at fair value	44,501	42,808
Federal Home Loan Bank stock, at cost	2,610	2,839
Loans receivable, net of allowance for loan losses of \$4,268 and \$4,521	292,663	285,113
Loans held for sale	411	100
Foreclosed real estate	790	743
Office properties and equipment, at cost, less accumulated depreciation	3,905	3,903
Bank-owned life insurance	9,959	9,778
Goodwill	8,769	8,769
Core deposit intangible	603	687
Prepaid federal deposit insurance	710	846
Accrued interest and other assets	2,924	3,429
<b>TOTAL ASSETS</b>	<b>\$ 449,297</b>	<b>\$ 434,619</b>
<b>Liabilities</b>		
<b>Deposits:</b>		
Demand, regular and club accounts	\$ 190,397	\$ 186,235
Certificate accounts	140,504	134,087
Total Deposits	330,901	320,322
Federal Home Loan Bank advances	31,636	28,520
Securities sold under agreements to repurchase	3,254	2,897
Advance deposits by borrowers for taxes and insurance	457	588
Securities purchased not settled	1,710	993
Accrued interest and other expenses	2,417	2,583
<b>TOTAL LIABILITIES</b>	<b>370,375</b>	<b>355,903</b>
<b>Stockholders' Equity</b>		
Preferred stock, \$0.01 par value per share, 10,000,000 shares authorized, none issued	34	35

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Common stock, \$0.01 par value per share, 40,000,000 shares authorized, 3,413,173 and 3,478,173 shares outstanding, respectively		
Additional paid-in-capital	32,456	33,403
Retained earnings	47,791	46,475
Unearned Employee Stock Ownership Plan (ESOP) shares	(2,720)	(2,797)
Accumulated other comprehensive income	1,361	1,600
TOTAL STOCKHOLDERS EQUITY	78,922	78,716
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 449,297	\$ 434,619

See accompanying notes to the consolidated financial statements.

**Table of Contents****Standard Financial Corp.****Consolidated Statements of Income (Unaudited)****(Dollars in thousands, except per share data)**

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
<b>Interest and Dividend Income</b>				
Loans, including fees	\$ 3,717	\$ 3,955	\$ 7,504	\$ 7,938
Mortgage-backed securities	276	309	550	588
Investments:				
Taxable	176	217	356	455
Tax-exempt	204	160	392	300
Interest-earning deposits	1	2	13	13
<b>Total Interest and Dividend Income</b>	<b>4,374</b>	<b>4,643</b>	<b>8,815</b>	<b>9,294</b>
<b>Interest Expense</b>				
Deposits	913	936	1,842	1,960
Securities sold under agreements to repurchase	2	4	4	10
Federal Home Loan Bank advances	187	292	381	601
<b>Total Interest Expense</b>	<b>1,102</b>	<b>1,232</b>	<b>2,227</b>	<b>2,571</b>
<b>Net Interest Income</b>	<b>3,272</b>	<b>3,411</b>	<b>6,588</b>	<b>6,723</b>
Provision for Loan Losses	300	425	600	775
<b>Net Interest Income after Provision for Loan Losses</b>	<b>2,972</b>	<b>2,986</b>	<b>5,988</b>	<b>5,948</b>
<b>Noninterest Income</b>				
Service charges	411	384	807	807
Earnings on bank-owned life insurance	99	96	200	194
Net securities gains	3		55	2
Net loan sale gains	31	12	43	61
Annuity and mutual fund fees	37	35	64	71
Other income	10	8	16	17
<b>Total Noninterest Income</b>	<b>591</b>	<b>535</b>	<b>1,185</b>	<b>1,152</b>
<b>Noninterest Expenses</b>				
Compensation and employee benefits	1,452	1,357	2,860	2,728
Data processing	116	99	223	190
Premises and occupancy costs	282	256	539	482
Core deposit amortization	42	42	84	84
Automatic teller machine expense	79	74	160	150
Federal deposit insurance	73	107	148	218
Contribution to Standard Charitable Foundation				1,376
Other operating expenses	468	426	916	824
<b>Total Noninterest Expenses</b>	<b>2,512</b>	<b>2,361</b>	<b>4,930</b>	<b>6,052</b>

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Income before Income Tax Expense	1,051	1,160	2,243	1,048
Income Tax Expense				
Federal	235	275	534	147
State	34	57	96	55
Total Income Tax Expense	269	332	630	202
Net Income	\$ 782	\$ 828	\$ 1,613	\$ 846
Earnings Per Share:				
Basic earnings per common share	\$ 0.25	\$ 0.26	\$ 0.51	\$ 0.26
Cash dividends paid per common share	\$ 0.045	\$ 0.045	\$ 0.090	\$ 0.045
Weighted average shares outstanding	3,159,423	3,205,902	3,181,000	3,204,075

See accompanying notes to the consolidated financial statements.

**Table of Contents****Standard Financial Corp.****Consolidated Statements of Comprehensive Income (Loss) (Unaudited)****(In thousands)**

	Three Months Ended March 31, 2012	2011	Six Months Ended March 31, 2012	2011
Net Income	\$ 782	\$ 828	\$ 1,613	\$ 846
Other comprehensive income (loss):				
Comprehensive gain (loss) on securities available for sale	34	119	(305)	(1,674)
Tax effect	(12)	(40)	103	569
Reclassification adjustment for gains realized in income	(3)	0	(55)	(2)
Tax effect	1	0	18	1
Total other comprehensive income (loss)	20	79	(239)	(1,106)
Total Comprehensive Income (Loss)	\$ 802	\$ 907	\$ 1,374	\$ (260)

See accompanying notes to the consolidated financial statements.



**Table of Contents****Standard Financial Corp.****Consolidated Statement of Changes in Stockholders Equity (Unaudited)****(Dollars in thousands)**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
Balance, September 30, 2011	\$ 35	\$ 33,403	\$ 46,475	\$ (2,797)	\$ 1,600	\$ 78,716
Net income			1,613			1,613
Other comprehensive loss					(239)	(239)
Stock repurchases (65,000 shares)	(1)	(980)				(981)
Cash dividends (\$.09 per share)			(297)			(297)
Compensation expense on ESOP		33		77		110
Balance, March 31, 2012	\$ 34	\$ 32,456	\$ 47,791	\$ (2,720)	\$ 1,361	\$ 78,922

See accompanying notes to the consolidated financial statements.

**Table of Contents****Standard Financial Corp.****Consolidated Statements of Cash Flows (Unaudited)****(Dollars in thousands)**

	Six Months Ended March 31,	
	2012	2011
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 1,613	\$ 846
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	211	193
Provision for loan losses	600	775
Amortization of core deposit intangible	84	84
Net amortization of premium/discount on securities	156	186
Net gain on securities	(55)	(2)
Origination of loans held for sale	(2,008)	(2,519)
Proceeds from sale of loans held for sale	1,740	3,041
Gain on sale of loans held for sale	(43)	(61)
Compensation expense on ESOP	110	107
Stock contribution to Charitable Foundation		1,176
Deferred income taxes	200	(623)
Decrease in accrued interest and other assets	368	190
Decrease in prepaid Federal deposit insurance	136	202
Earnings on bank-owned life insurance	(200)	(194)
Decrease in accrued interest payable	(3)	(20)
Decrease in other accrued expenses	(259)	
Increase in accrued income taxes payable	156	525
Other, net	53	45
<b>Net Cash Provided by Operating Activities</b>	<b>2,859</b>	<b>3,951</b>
<b>Cash Flows from Investing Activities</b>		
Net increase in loans	(8,770)	(6,505)
Purchases of investment securities	(17,458)	(19,896)
Purchases of mortgage-backed securities	(7,514)	(25,973)
Proceeds from maturities/principal repayments/calls of:		
Investment securities	11,662	16,816
Mortgage-backed securities	5,496	4,334
Proceeds from sales of investment securities	6,110	504
Redemption of Federal Home Loan Bank stock	277	309
Purchases of Federal Home Loan Bank stock	(48)	
Proceeds from sales of foreclosed real estate	540	259
Net purchases of office properties and equipment	(213)	(375)
<b>Net Cash Used in Investing Activities</b>	<b>(9,918)</b>	<b>(30,527)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in demand, regular and club accounts	4,162	(190)
Net increase (decrease) in certificate accounts	6,417	(1,371)
Net increase in securities sold under agreements to repurchase	357	1,840
Stock proceeds less conversion expenses		457
Purchase of ESOP shares		(1,168)
Repayments of Federal Home Loan Bank advances	(2,886)	(2,223)

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Proceeds from Federal Home Loan Bank advances	6,002	2,413
Net (decrease) increase in advance deposits by borrowers for taxes and insurance	(131)	60
Dividends paid	(297)	
Stock repurchases	(981)	
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>12,643</b>	<b>(182)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,584</b>	<b>(26,758)</b>
Cash and Cash Equivalents - Beginning	12,658	38,988
Cash and Cash Equivalents - Ending	\$ 18,242	\$ 12,230
<b>Supplementary Cash Flows Information</b>		
Interest paid	\$ 2,230	\$ 2,591
Income taxes paid	\$ 274	\$ 300
<b>Supplementary Schedule of Noncash Investing and Financing Activities</b>		
Foreclosed real estate acquired in settlement of loans	\$ 620	\$ 130
Issuance of common stock from stock subscription payable	\$	\$ 28,759
Issuance of common stock from customer deposit accounts	\$	\$ 1,201
Issuance of common stock for ESOP plan	\$	\$ 1,782
Securities purchased not settled	\$ 1,710	\$

See accompanying notes to the consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(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 for the fiscal year ended September 30, 2011. The results for the three and six month periods ended March 31, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2012 or any future interim period. Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation format. These reclassifications had no effect on stockholders' equity or net income.

**(3) Recent Accounting Pronouncements**

In December 2011, the FASB issued ASU 2011-10, *Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate—a Scope Clarification*. The amendments in this Update affect entities that cease to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt. Under the amendments in this Update, when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. Generally, a reporting entity would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. That is, even if the reporting entity ceases to have a controlling financial interest under Subtopic 810-10, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. The amendments in this Update should be applied on a prospective basis to deconsolidation events occurring after the effective date. Prior periods should not be adjusted even if the reporting entity has continuing involvement with previously derecognized in substance real estate entities. For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2013, and interim and annual periods thereafter. Early adoption is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The amendments in this Update affect all entities that have financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements amend the disclosure requirements on offsetting in Section 210-20-50. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this Update. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This ASU is not expected to have a significant impact on the Company's financial statements.

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In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. In order to defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this Update supersede certain pending paragraphs in Update 2011-05. Entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before Update 2011-05. All other requirements in Update 2011-05 are not affected by this Update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. Nonpublic entities should begin applying these requirements for fiscal years ending after December 15, 2012, and interim 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, 2012

**(4) Investment Securities**

Investment securities available for sale at March 31, 2012 and at September 30, 2011 were as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>March 31, 2012:</b>				
U.S. government and agency obligations due:				
Beyond 1 year but within 5 years	\$ 19,993	\$ 63	\$ (8)	\$ 20,048
Beyond 5 years but within 10 years	4,000	24		4,024
Corporate bonds due:				
Within 1 year	252	7		259
Beyond 1 year but within 5 years	7,002	27	(360)	6,669
Municipal obligations due:				
Within 1 year	930	5		935
Beyond 1 year but within 5 years	2,014	107		2,121
Beyond 5 years but within 10 years	19,800	935	(5)	20,730
Beyond 10 years	6,767	312		7,079
Equity securities:				
CRA Investment Fund	750	17		767
Freddie Mac common stock	10			10
Common stocks	485	91	(8)	568
	\$ 62,003	\$ 1,588	\$ (381)	\$ 63,210

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 30, 2011:</b>				
U.S. government and agency obligations due:				
Beyond 1 year but within 5 years	\$ 21,493	\$ 151	\$	\$ 21,644
Beyond 5 years but within 10 years	3,000	10		3,010
Corporate bonds due:				
Beyond 1 year but within 5 years	7,255	9	(198)	7,066
Municipal obligations due:				
Within 1 year	4,172	15		4,187
Beyond 1 year but within 5 years	1,270	5		1,275
Beyond 5 years but within 10 years	14,255	716		14,971
Beyond 10 years	8,898	649		9,547
Equity securities:				
CRA Investment Fund	750	21		771
Freddie Mac common stock	10		(2)	8

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Common stocks	458	36	(27)	467
	\$ 61,561	\$ 1,612	\$ (227)	\$ 62,946

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(4) Investment Securities (Continued)**

During the six months ended March 31, 2012, gains on sales of investment securities were \$55,000 and proceeds from such sales were \$6.1 million. During the six months ended March 31, 2011, gains on sales of investment securities were \$2,000 and proceeds from such sales were \$504,000.

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, 2012 and at September 30, 2011 (dollars in thousands):

	00000000	00000000	00000000	00000000	00000000	00000000
	Less than 12 Months		March 31, 2012 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	\$ 7,992	\$ (8)	\$	\$	\$ 7,992	\$ (8)
Corporate bonds			5,640	(360)	5,640	(360)
Municipal obligations	1,691	(5)			1,691	(5)
Equity securities			72	(8)	72	(8)
<b>Total Temporarily Impaired Securities</b>	<b>\$ 9,683</b>	<b>\$ (13)</b>	<b>\$ 5,712</b>	<b>\$ (368)</b>	<b>\$ 15,395</b>	<b>\$ (381)</b>

	00000000	00000000	00000000	00000000	00000000	00000000
	Less than 12 Months		September 30, 2011 12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds	\$ 1,925	\$ (74)	\$ 3,876	\$ (124)	\$ 5,801	\$ (198)
Equity securities	93	(9)	60	(20)	153	(29)
<b>Total Temporarily Impaired Securities</b>	<b>\$ 2,018</b>	<b>\$ (83)</b>	<b>\$ 3,936</b>	<b>\$ (144)</b>	<b>\$ 5,954</b>	<b>\$ (227)</b>

At March 31, 2012 and September 30, 2011, the Company held 16 securities at each date 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 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 losses to be temporary impairment losses.





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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(5) Mortgage-Backed Securities**

Mortgage-backed securities available for sale at March 31, 2012 and at September 30, 2011 were as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>March 31, 2012:</b>				
Government pass-throughs:				
Ginnie Mae	\$ 17,785	\$ 149	\$ (11)	\$ 17,923
Fannie Mae	21,469	457	(8)	21,918
Freddie Mac	3,891	260		4,151
Private pass-throughs	127		(1)	126
Collateralized mortgage obligations	375	8		383
	\$ 43,647	\$ 874	\$ (20)	\$ 44,501

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 30, 2011:</b>				
Government pass-throughs:				
Ginnie Mae	\$ 19,080	\$ 164	\$ (52)	\$ 19,192
Fannie Mae	17,358	602		17,960
Freddie Mac	4,755	316		5,071
Private pass-throughs	131		(1)	130
Collateralized mortgage obligations	446	9		455
	\$ 41,770	\$ 1,091	\$ (53)	\$ 42,808

During the six months ended March 31, 2012 and 2011, there were no sales of mortgage-backed securities.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(5) Mortgage-Backed Securities (Continued)**

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, 2012 and at September 30, 2011 (dollars in thousands):

	00000000		00000000		00000000		00000000	
			March 31, 2012					
	Less than 12 Months Fair Value	Gross Unrealized Losses	12 Months or More Fair Value	Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses		
Ginnie Mae	\$ 4,729	\$ (11)	\$	\$	\$ 4,729	\$ (11)		
Fannie Mae	2,402	(8)			2,402	(8)		
Private pass-throughs			126	(1)	126	(1)		
<b>Total Temporarily Impaired Securities</b>	<b>\$ 7,131</b>	<b>\$ (19)</b>	<b>\$ 126</b>	<b>\$ (1)</b>	<b>\$ 7,257</b>	<b>\$ (20)</b>		

	00000000		00000000		00000000		00000000	
			September 30, 2011					
	Less than 12 Months Fair Value	Gross Unrealized Losses	12 Months or More Fair Value	Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses		
Ginnie Mae	\$ 9,961	\$ (52)	\$	\$	\$ 9,961	\$ (52)		
Private pass-throughs			130	(1)	130	(1)		
<b>Total Temporarily Impaired Securities</b>	<b>\$ 9,961</b>	<b>\$ (52)</b>	<b>\$ 130</b>	<b>\$ (1)</b>	<b>\$ 10,091</b>	<b>\$ (53)</b>		

At March 31, 2012 and September 30, 2011, the Company held 3 mortgage-backed securities at each date 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 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 losses to be temporary impairment losses.

Mortgage-backed securities with a carrying value of \$21.5 million and \$25.1 million were pledged to secure repurchase agreements and public fund accounts at March 31, 2012 and at September 30, 2011, respectively.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(6) Loans Receivable and Related Allowance for Loan Losses**

The following table summarizes the primary segments of the loan portfolio as of March 31, 2012 and September 30, 2011 (dollars in thousands):

	Real Estate Loans					Total
	One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial	Other Loans	
<b>March 31, 2012:</b>						
Total loans before allowance for loan losses	\$ 144,977	\$ 90,621	\$ 46,712	\$ 12,334	\$ 2,287	\$ 296,931
Individually evaluated for impairment	\$	\$ 2,288	\$	\$ 609	\$	\$ 2,897
Collectively evaluated for impairment	\$ 144,977	\$ 88,333	\$ 46,712	\$ 11,725	\$ 2,287	\$ 294,034
<b>September 30, 2011:</b>						
Total loans before allowance for loan losses	\$ 141,869	\$ 88,096	\$ 45,594	\$ 11,683	\$ 2,392	\$ 289,634
Individually evaluated for impairment	\$	\$ 3,101	\$	\$ 39	\$	\$ 3,140
Collectively evaluated for impairment	\$ 141,869	\$ 84,995	\$ 45,594	\$ 11,644	\$ 2,392	\$ 286,494

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.

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 Company does not separately evaluate individual consumer and residential real estate loans for impairment, unless such loans are part of larger relationship that is impaired, or are classified as a troubled debt restructuring agreement. 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. There were no loans considered to be a troubled debt restructuring at March 31, 2012 and September 30, 2011.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(6) Loans Receivable and Related Allowance for Loan Losses (Continued)**

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, 2012 and September 30, 2011 (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
<b>March 31, 2012:</b>					
Commercial real estate	\$ 2,288	\$ 686	\$	\$ 2,288	\$ 2,288
Commercial	609	183		609	609
Total impaired loans	\$ 2,897	\$ 869	\$	\$ 2,897	\$ 2,897
<b>September 30, 2011:</b>					
Commercial real estate	\$ 3,101	\$ 930	\$	\$ 3,101	\$ 3,101
Commercial	39	12		39	39
Total impaired loans	\$ 3,140	\$ 942	\$	\$ 3,140	\$ 3,140

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,	
	2012	2011	2012	2011
<b>Average investment in impaired loans:</b>				
Commercial real estate	\$ 2,239	\$ 1,384	\$ 2,527	\$ 1,384
Commercial	613	985	421	990
Total impaired loans	\$ 2,852	\$ 2,369	\$ 2,948	\$ 2,374
<b>Interest income recognized on impaired loans:</b>				
Accrual basis	\$	\$	\$	\$

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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.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(6) Loans Receivable and Related Allowance for Loan Losses (Continued)**

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 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 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, 2012 and September 30, 2011 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
<b>March 31, 2012:</b>					
First mortgage loans:					
One-to-four-family residential and construction	\$ 143,517	\$	\$ 1,460	\$	\$ 144,977
Commercial real estate	84,261	2,765	3,595		90,621
Home equity loans and lines of credit	46,673		39		46,712
Commercial loans	11,725		609		12,334
Other loans	2,280		7		2,287
<b>Total</b>	<b>\$ 288,456</b>	<b>\$ 2,765</b>	<b>\$ 5,710</b>	<b>\$</b>	<b>\$ 296,931</b>
<b>September 30, 2011:</b>					
First mortgage loans:					
One-to-four-family residential and construction	\$ 140,432	\$	\$ 1,437	\$	\$ 141,869
Commercial real estate	80,860	2,808	4,428		88,096
Home equity loans and lines of credit	45,547		47		45,594
Commercial loans	10,645		1,038		11,683
Other loans	2,389			3	2,392
<b>Total</b>	<b>\$ 279,873</b>	<b>\$ 2,808</b>	<b>\$ 6,950</b>	<b>\$ 3</b>	<b>\$ 289,634</b>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(6) 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, 2012 and September 30, 2011 (dollars in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	Non-Accrual (90 Days+)	Total Loans
<b>March 31, 2012:</b>					
First mortgage loans:					
One-to-four-family residential and construction	\$ 141,829	\$ 1,688	\$	\$ 1,460	\$ 144,977
Commercial real estate	87,075	1,258		2,288	90,621
Home equity loans and lines of credit	46,480	170	23	39	46,712
Commercial loans	11,650	75		609	12,334
Other loans	2,270	10	7		2,287
<b>Total</b>	<b>\$ 289,304</b>	<b>\$ 3,201</b>	<b>\$ 30</b>	<b>\$ 4,396</b>	<b>\$ 296,931</b>
<b>September 30, 2011:</b>					
First mortgage loans:					
One-to-four-family residential and construction	\$ 137,935	\$ 1,977	\$ 521	\$ 1,436	\$ 141,869
Commercial real estate	83,641	1,006	348	3,101	88,096
Home equity loans and lines of credit	45,457	68	22	47	45,594
Commercial loans	11,563		81	39	11,683
Other loans	2,386	3		3	2,392
<b>Total</b>	<b>\$ 280,982</b>	<b>\$ 3,054</b>	<b>\$ 972</b>	<b>\$ 4,626</b>	<b>\$ 289,634</b>

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

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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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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(6) 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 six months ended March 31, 2012 and 2011 (dollars in thousands):

	Real Estate Loans					Total
	One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial	Other Loans	
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
Balance at September 30, 2010	\$ 609	\$ 2,460	\$ 220	\$ 483	\$ 217	\$ 3,989
Charge-offs	(25)	(192)		(46)	(18)	(281)
Recoveries	12	31		3	9	55
Provision	312	423	7	14	19	775
Balance at March 31, 2011	\$ 908	\$ 2,722	\$ 227	\$ 454	\$ 227	\$ 4,538
	Real Estate Loans					Total
	One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial	Other Loans	
Evaluated for Impairment:						
Individually	\$	\$ 686	\$	\$ 183	\$	\$ 869
Collectively	688	2,212	141	171	187	3,399
Balance at March 31, 2012	\$ 688	\$ 2,898	\$ 141	\$ 354	\$ 187	\$ 4,268
Evaluated for Impairment:						
Individually	\$	\$ 930	\$	\$ 12	\$	\$ 942
Collectively	682	2,094	173	440	190	3,579

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Balance at September 30, 2011	\$ 682	\$ 3,024	\$ 173	\$ 452	\$ 190	\$ 4,521
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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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**(7) Contribution to Standard Charitable Foundation**

The Company made a \$1.4 million one-time contribution to Standard Charitable Foundation during the quarter ended December 31, 2010 in connection with its stock conversion. This contribution represented \$1.2 million or 3.5% of the stock issued on October 6, 2010 and \$200,000 in cash. The after tax impact on net income of this one-time contribution was net expense of \$908,000 (net of income tax benefit of \$468,000).

**(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 is recognized under the shares released method and 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 \$110,000 and \$107,000 was recognized during the six months ended March 31, 2012 and 2011, respectively.

As of March 31, 2012, the ESOP held a total of 278,254 shares of the Company's stock, and there were 260,186 unallocated shares. The fair market value of the unallocated ESOP shares was \$4.1 million at March 31, 2012.

**(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:

- 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

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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.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(9) Fair Value of Assets and Liabilities (Continued)****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 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, 2012 and September 30, 2011, 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, 2012 and September 30, 2011 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
<b>March 31, 2012:</b>				
Investment securities available for sale:				
U.S. government and agency obligations	\$	\$ 24,072	\$	\$ 24,072
Corporate bonds		6,928		6,928
Municipal obligations		30,865		30,865
Equity securities	1,345			1,345



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Total investment securities available for sale	1,345	61,865	63,210
Mortgage-backed securities available for sale		44,501	44,501
Total recurring fair value measurements	\$ 1,345	\$ 106,366	\$ 107,711

September 30, 2011:

Investment securities available for sale:			
U.S. government and agency obligations	\$	\$ 24,654	\$ 24,654
Corporate bonds		7,066	7,066
Municipal obligations		29,980	29,980
Equity securities	1,246		1,246
Total investment securities available for sale	1,246	61,700	62,946
Mortgage-backed securities		42,808	42,808
Total recurring fair value measurements	\$ 1,246	\$ 104,508	\$ 105,754

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(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, 2012 and September 30, 2011 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
<b>March 31, 2012:</b>				
Foreclosed real estate	\$	\$	\$ 790	\$ 790
Impaired loans			2,028	2,028
Total nonrecurring fair value measurements	\$	\$	\$ 2,818	\$ 2,818
<b>September 30, 2011:</b>				
Foreclosed real estate	\$	\$	\$ 743	\$ 743
Impaired loans			2,198	2,198
Total nonrecurring fair value measurements	\$	\$	\$ 2,941	\$ 2,941

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):

	Estimate	Valuation Techniques	Unobservable Input	Quantitative Information about Level 3 Fair Value Measurements
				Range (Weighted Average)
March 31, 2012:				
Foreclosed real estate	\$ 790	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expenses (2)	0% to -40% (-25%) 0% to -10% (-5%)
Impaired loans	\$ 2,028	Appraisal of collateral (1), (3)		

(1)

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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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2012

**(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, regular and club accounts, securities sold under agreements to repurchase and accrued interest payable. For short-term financial assets such as cash and cash equivalents, 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 and regular 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, 2012

**(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, 2012 and September 30, 2011 (dollars in thousands):

	Carrying Amount	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2012:				
Financial Instruments - Assets:				
Cash on hand and due from banks	\$ 1,688	\$ 1,688	\$	\$
Interest-earning deposits in other institutions	16,554	16,554		
Investment securities	63,210	1,345	61,865	
Mortgage-backed securities	44,501		44,501	
Loans receivable	292,663			303,673
Loans held for sale	411		416	
Accrued interest receivable	1,290	1,290		
Federal Home Loan Bank stock	2,610	2,610		
Bank-owned life insurance	9,959	9,959		
Financial Instruments - Liabilities:				
Demand, regular and club accounts	190,397	190,397		
Certificate deposit accounts	140,504			146,835
Federal Home Loan Bank advances	31,636			32,289
Securities sold under agreements to repurchase	3,254	3,254		
Accrued interest payable	265	265		
September 30, 2011:				
Financial Instruments - Assets:				
Cash on hand and due from banks	\$ 1,869	\$ 1,869	\$	\$
Interest-earning deposits in other institutions	10,789	10,789		
Investment securities	62,946	1,246	61,700	
Mortgage-backed securities	42,808		42,808	
Loans receivable	285,113			297,800
Loans held for sale	100		102	
Accrued interest receivable	1,337	1,337		
Federal Home Loan Bank stock	2,839	2,839		
Bank-owned life insurance	9,778	9,778		
Financial Instruments - Liabilities:				
Demand, regular and club accounts	186,235	186,235		

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Certificate deposit accounts	134,087		140,482
Federal Home Loan Bank advances	28,520		29,500
Securities sold under agreements to repurchase	2,897	2,897	
Accrued interest payable	268	268	

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**Table of Contents****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 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, 2012 have remained unchanged from the disclosures presented in the Company's Annual Report on Form 10-K for the year ended September 30, 2011 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, 2011. 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 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, 2012 and September 30, 2011**

**General.** The Company's total assets increased \$14.7 million, or 3.4%, to \$449.3 million at March 31, 2012 from \$434.6 million at September 30, 2011. The increase was due primarily to increases in net loans and cash and cash equivalents. Total liabilities increased \$14.5 million, or 4.1%, to \$370.4 million at March 31, 2012 from \$355.9 million at September 30, 2011. The increase was due primarily to increases in total deposits and Federal Home Loan Bank advances.

**Cash and Cash Equivalents.** Cash and cash equivalents increased \$5.6 million, or 44.1%, to \$18.2 million at March 31, 2012 from \$12.7 million at September 30, 2011. During the six months ended March 31, 2012, net deposit inflows were partly offset by a net increase in loans.

**Loans.** At March 31, 2012, net loans were \$292.7 million, or 65.1% of total assets, an increase of \$7.6 million from \$285.1 million or 65.6% of total assets at September 30, 2011. This increase was primarily due to increases of \$3.2 million in the commercial real estate and commercial loan portfolios and \$3.1 million in the one- to four-family residential real estate portfolio. We have continued our focus on steadily increasing our commercial real estate loans to better diversify our loan portfolio.

**Investment Securities.** Investment securities available for sale increased \$264,000 to \$63.2 million at March 31, 2012 from \$62.9 million at September 30, 2011. Purchases of \$17.5 million during the six months ended March 31, 2012 consisted primarily of government agency bonds and tax-exempt municipal securities. The purchases were offset by sales of government agency bonds of \$6.0 million and calls and maturities of government agency bonds and municipals securities totaling \$11.7 million during the six months ended March 31, 2012.

**Mortgage-Backed Securities.** The Company's mortgage-backed securities available for sale portfolio increased \$1.7 million, or 4.0% to \$44.5 million at March 31, 2012 from \$42.8 million at September 30, 2011. Purchases during the six months ended March 31, 2012 consisted of \$7.5 million of mortgage-backed securities offset by repayments on mortgage-backed securities of \$5.5 million.

**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 enhanced technology and our

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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.



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Our deposits increased \$10.6 million, or 3.3%, to \$330.9 million at March 31, 2012 from \$320.3 million at September 30, 2011. The increase resulted from a \$6.4 million, or 4.8%, increase in certificates of deposit and a \$4.2 million, or 2.2%, increase in demand and savings accounts during the six months ended March 31, 2012. The increase in certificates of deposit resulted from an increase in longer term certificate products some of which provide the customer an option to increase the interest rate on the certificate in the future.

***Borrowings.*** Our borrowings consist of advances from the Federal Home Loan Bank of Pittsburgh and funds borrowed under repurchase agreements. Total borrowings increased \$3.5 million, or 11.1% to \$34.9 million at March 31, 2012 from \$31.4 million at September 30, 2011. The increase was due primarily to new Federal Home Loan Bank advances totaling \$6.0 million partly offset by the repayment of \$2.9 million of advances during the six months ended March 31, 2012.

***Stockholders Equity.*** Stockholders equity increased \$206,000 to \$78.9 million at March 31, 2012 from \$78.7 million at September 30, 2011. The increase was due primarily to net income of \$1.6 million partly offset by the repurchase of common stock totaling \$981,000 and cash dividends paid totaling \$297,000 for the six months ended March 31, 2012.

**Table of Contents****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, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the tables 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.

	For the Three Months Ended March 31,					
	2012			2011		
	Average Outstanding Balance	Interest	Yield/ Rate (Dollars in thousands)	Average Outstanding Balance	Interest	Yield/ Rate
<b>Interest-earning assets:</b>						
Loans	\$ 297,932	\$ 3,717	4.99%	\$ 296,375	\$ 3,955	5.34%
Investment and mortgage-backed securities	102,466	656	2.56%	95,941	686	2.86%
Interest earning deposits	11,219	1	0.04%	11,075	2	0.07%
<b>Total interest-earning assets</b>	<b>411,617</b>	<b>4,374</b>	<b>4.25%</b>	<b>403,391</b>	<b>4,643</b>	<b>4.60%</b>
Noninterest-earning assets	27,569			28,878		
<b>Total assets</b>	<b>\$ 439,186</b>			<b>\$ 432,269</b>		
<b>Interest-bearing liabilities:</b>						
Savings accounts	\$ 110,951	46	0.17%	\$ 120,524	135	0.45%
Certificates of deposit	139,445	853	2.45%	124,134	785	2.53%
Money market accounts	5,750	3	0.21%	5,836	3	0.21%
Demand and NOW accounts	68,257	11	0.06%	60,946	13	0.09%
<b>Total deposits</b>	<b>324,403</b>	<b>913</b>	<b>1.13%</b>	<b>311,440</b>	<b>936</b>	<b>1.20%</b>
Federal Home Loan Bank advances	29,707	187	2.52%	37,944	292	3.08%
Securities sold under agreements to repurchase	3,261	2	0.25%	4,822	4	0.33%
<b>Total interest-bearing liabilities</b>	<b>357,371</b>	<b>1,102</b>	<b>1.23%</b>	<b>354,206</b>	<b>1,232</b>	<b>1.39%</b>
Noninterest-bearing liabilities	3,048			2,911		
<b>Total liabilities</b>	<b>360,419</b>			<b>357,117</b>		
Stockholders' equity	78,767			75,152		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 439,186</b>			<b>\$ 432,269</b>		
<b>Net interest income</b>		<b>\$ 3,272</b>			<b>\$ 3,411</b>	
Net interest rate spread <sup>(1)</sup>			3.02%			3.21%
Net interest-earning assets <sup>(2)</sup>	\$ 54,246			\$ 49,185		
Net interest margin <sup>(3)</sup>			3.18%			3.38%
Average interest-earning assets to interest-bearing liabilities	115.18%			113.89%		

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- (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,					
	2012			2011		
	Average Outstanding Balance	Interest	Yield/ Rate (Dollars in thousands)	Average Outstanding Balance	Interest	Yield/ Rate
<b>Interest-earning assets:</b>						
Loans	\$ 294,834	\$ 7,504	5.09%	\$ 294,260	\$ 7,938	5.40%
Investment and mortgage-backed securities	102,754	1,298	2.53%	95,486	1,343	2.81%
Interest earning deposits	11,460	13	0.23%	16,560	13	0.16%
Total interest-earning assets	409,048	8,815	4.31%	406,306	9,294	4.58%
Noninterest-earning assets	28,953			28,693		
Total assets	\$ 438,001			\$ 434,999		
<b>Interest-bearing liabilities:</b>						
Savings accounts	\$ 112,502	109	0.19%	\$ 121,976	312	0.51%
Certificates of deposit	138,124	1,704	2.47%	124,582	1,610	2.58%
Money market accounts	6,263	5	0.16%	6,332	8	0.25%
Demand and NOW accounts	67,084	24	0.07%	60,358	30	0.10%
Total deposits	323,973	1,842	1.14%	313,248	1,960	1.25%
Federal Home Loan Bank advances	28,960	381	2.63%	37,697	601	3.19%
Securities sold under agreements to repurchase	3,662	4	0.22%	4,899	10	0.41%
Total interest-bearing liabilities	356,595	2,227	1.25%	355,844	2,571	1.45%
Noninterest-bearing liabilities	2,825			4,114		
Total liabilities	359,420			359,958		
Stockholders' equity	78,581			75,041		
Total liabilities and stockholders' equity	\$ 438,001			\$ 434,999		
Net interest income		\$ 6,588			\$ 6,723	
Net interest rate spread <sup>(1)</sup>			3.06%			3.13%
Net interest-earning assets <sup>(2)</sup>	\$ 52,453			\$ 50,462		
Net interest margin <sup>(3)</sup>			3.22%			3.31%
Average interest-earning assets to interest-bearing liabilities	114.71%			114.18%		

(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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**Comparison of Operating Results for the Three Months Ended March 31, 2012 and 2011**

**General.** Net income for the quarter ended March 31, 2012 was \$782,000 compared to \$828,000 for the quarter ended March 31, 2011, a decrease of \$46,000, or 5.6%. The decrease was due primarily to an increase in noninterest expenses of \$151,000 and a decrease in net interest income of \$139,000, partially offset by a \$125,000 decrease in the provision for loan losses, lower income tax expense of \$63,000 and higher noninterest income of \$56,000.

**Net Interest Income.** Net interest income for the quarter ended March 31, 2012 was \$3.3 million compared to \$3.4 million for the quarter ended March 31, 2011. Our net interest rate spread and net interest margin were 3.02% and 3.18%, respectively for the three months ended March 31, 2012 compared to 3.21% and 3.38% for the same period in the prior year.

**Interest and Dividend Income.** Total interest and dividend income of \$4.4 million for the three months ended March 31, 2012 decreased \$269,000 compared to the same period in the prior year. The decrease was due to a decrease in the average yield on interest-earning assets, partially offset by an increase in the average balance of interest-earning assets. The average yield on interest-earning assets decreased to 4.25% for the three months ended March 31, 2012 from 4.60% for the same period in the prior year. Average interest-earning assets increased by \$8.2 million, or 2.0% to \$411.6 million for the three months ended March 31, 2012 from \$403.4 million for the same period in 2011.

Interest income on loans decreased \$238,000, or 6.0%, to \$3.7 million for the three months ended March 31, 2012 due primarily to a decrease in the average yield on loans. The average yield on loans receivable decreased to 4.99% for the three months ended March 31, 2012 from 5.34% 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 increased by \$1.5 million, or 0.5%, to \$297.9 million for the three months ended March 31, 2012 from \$296.4 million for the same period in the prior year.

Interest income on investment and mortgage-backed securities decreased by \$30,000, or 4.4%, to \$656,000 for the three months ended March 31, 2012 from \$686,000 for the same period in the prior year. This decrease was due primarily to a decrease in the average yield earned on investments and mortgage-backed securities to 2.56% for the three months ended March 31, 2012 from 2.86% 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. This decrease was partially offset by an increase in the average balance of investment and mortgage-backed securities, which increased by \$6.6 million, or 6.9%, to \$102.5 million for the three months ended March 31, 2012 from \$95.9 million for the same period in the prior year.

**Interest Expense.** Total interest expense decreased by \$130,000, or 10.6%, to \$1.1 million for the three months ended March 31, 2012 from \$1.2 million for the same period in the prior year. This decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities to 1.23% for the three months ended March 31, 2012 from 1.39% for the prior year period. Partially offsetting this decrease in interest expense was an increase in the average balance of interest-bearing liabilities of \$3.2 million, or 0.9%, to \$357.4 million for the three months ended March 31, 2012 from \$354.2 million for the same period in the prior year.

Interest expense on deposits decreased by \$23,000, or 2.5%, to \$913,000 for the three months ended March 31, 2012 from \$936,000 for the same period in the prior year. The average cost of deposits declined from 1.20% for the three months ended March 31, 2011 to 1.13% for the three months ended March 31, 2012. 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 certificates of deposit which increased \$15.3 million, or 12.3%, to \$139.4 million for the three months ended March 31, 2012 from \$124.1 million for the same period in 2011.

Interest expense on Federal Home Loan Bank advances decreased \$105,000, or 36%, to \$187,000 for the three months ended March 31, 2012 from \$292,000 for the same period in the prior year. The average balance of advances decreased \$8.2 million or 21.7% to \$29.7 million for the three months ended March 31, 2012 compared to the same period in the prior year. In addition, the average cost of advances decreased to 2.52% for the quarter ended March 31, 2012 from 3.08% for the quarter ended March 31, 2011 as higher rate advances matured and were repaid.

**Provision for Loan Losses.** The provision for loan losses decreased by \$125,000, or 29.4%, to \$300,000 for the three months ended March 31, 2012 from \$425,000 for the same period in 2011. Non-performing loans at March 31, 2012 were \$4.4 million or 1.48% of total loans, \$4.6 million or 1.60% of total loans at September 30, 2011 and \$2.9 million or 0.97% of total loans at March 31, 2011. The provision that was recorded is 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. Management believes, to the best of their knowledge, that all known losses as of the balance sheet dates have been recorded.

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**Noninterest Income.** Noninterest income increased \$56,000, or 10.5%, to \$591,000 for the three months ended March 31, 2012 from \$535,000 for the same period in the prior year due mainly to higher service charges on deposits and higher net loan sale gains.

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**Noninterest Expenses.** Noninterest expenses increased by \$151,000, or 6.4%, to \$2.5 million for the three months ended March 31, 2012 compared to the same period in 2011. The increase was due primarily to higher compensation and employee benefits and other operating expenses due primarily to general cost increases and additional staffing in the lending area.

**Income Tax Expense.** The Company recorded a provision for income tax of \$269,000 for the three months ended March 31, 2012 compared to \$332,000 for the three months ended March 31, 2011 due to lower income before taxes. The effective tax rates were 25.6% and 28.6% for the three months ended March 31, 2012 and 2011, respectively.

**Comparison of Operating Results for the Six Months Ended March 31, 2012 and 2011**

**General.** Net income for the six months ended March 31, 2012 was \$1.6 million compared to \$846,000 for the six months ended March 31, 2011. Net income for the six months ended March 31, 2011 included a \$1.4 million one-time contribution to Standard Charitable Foundation (\$908,000 after tax impact). This contribution represented \$1.2 million or 3.5% of the stock issued on October 6, 2010 and \$200,000 in cash. Excluding the one-time charitable contribution, net income decreased \$141,000 for the six months ended March 31, 2012 compared to the same period in the prior year due primarily to an increase in noninterest expenses of \$254,000 and a decrease in net interest income of \$135,000, partially offset by a lower provision for loan losses of \$175,000.

**Net Interest Income.** Net interest income for the six months ended March 31, 2012 was \$6.6 million compared to \$6.7 million for the six months ended March 31, 2011. Our net interest rate spread and net interest margin were 3.06% and 3.22%, respectively for the six months ended March 31, 2012 compared to 3.13% and 3.31% for the same period in the prior year.

**Interest and Dividend Income.** Total interest and dividend income of \$8.8 million for the six months ended March 31, 2012 decreased \$479,000 compared to the same period in the prior year. The decrease was due to a decrease in the average yield on interest-earning assets, partially offset by an increase in the average balance of interest-earning assets. The average yield on interest-earning assets decreased to 4.31% for the six months ended March 31, 2012 from 4.58% for the same period in the prior year. Average interest-earning assets increased by \$2.7 million, or 0.7% to \$409.0 million for the six months ended March 31, 2012 from \$406.3 million for the same period in 2011.

Interest income on loans decreased \$434,000, or 5.5%, to \$7.5 million for the six months ended March 31, 2012 due primarily to a decrease in the average yield on loans. The average yield on loans receivable decreased to 5.09% for the six months ended March 31, 2012 from 5.40% 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 increased by \$574,000, or 0.2%, to \$294.8 million for the six months ended March 31, 2012 from \$294.3 million for the same period in the prior year.

Interest income on investment and mortgage-backed securities decreased by \$45,000, or 3.4%, to \$1.3 million for the six months ended March 31, 2012 from the same period in the prior year. This decrease was due primarily to a decrease in the average yield earned on investments and mortgage-backed securities to 2.53% for the six months ended March 31, 2012 from 2.81% 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. This decrease was partially offset by an increase in the average balance of investment and mortgage-backed securities, which increased by \$7.3 million, or 7.6%, to \$102.8 million for the six months ended March 31, 2012 from \$95.5 million for the same period in the prior year.

**Interest Expense.** Total interest expense decreased by \$344,000, or 13.4%, to \$2.2 million for the six months ended March 31, 2012 from \$2.6 million for the same period in the prior year. This decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities to 1.25% for the six months ended March 31, 2012 from 1.45% for the prior year period. Partially offsetting this decrease was an increase in average interest-bearing liabilities of \$751,000, or 0.2%, to \$356.6 million for the six months ended March 31, 2012 from \$355.8 million for the same period in the prior year.

Interest expense on deposits decreased by \$118,000, or 6.0%, to \$1.8 million for the six months ended March 31, 2012 from \$2.0 million for the same period in the prior year. The average cost of deposits declined from 1.25% for the six months ended March 31, 2011 to 1.14% for the six months ended March 31, 2012. 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 certificates of deposit which increased \$13.5 million, or 10.9%, to \$138.1 million for the six months ended March 31, 2012 from \$124.6 million for the same period in 2011.

Interest expense on Federal Home Loan Bank advances decreased \$220,000 or 36.6%, to \$381,000 for the six months ended March 31, 2012 from \$601,000 for the same period in the prior year. The average balance of advances decreased \$8.7 million or 23.2% to \$29.0 million for the six months ended March 31, 2012 compared to the same period in the prior year. In addition, the average cost of advances decreased to 2.63%

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for the six months ended March 31, 2012 from 3.19% for the six months ended March 31, 2011 as higher rate advances matured and were repaid.

***Provision for Loan Losses.*** The provision for loan losses decreased by \$175,000, or 22.6%, to \$600,000 for the six months ended March 31, 2012 from \$775,000 for the same period in 2011. The provision that was recorded is sufficient, in management s



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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. Management believes, to the best of their knowledge, that all known losses as of the balance sheet dates have been recorded.

**Noninterest Income.** Noninterest income increased \$33,000, or 2.9%, to \$1.2 million for the six months ended March 31, 2012 compared to the same period in the prior year due mainly to higher net securities gains partially offset by lower net loan sale gains.

**Noninterest Expenses.** Noninterest expenses decreased by \$1.1 million, or 18.5%, to \$4.9 million for the six months ended March 31, 2012 compared to the same period in the prior year. The decrease was due to a \$1.4 million one-time contribution to Standard Charitable Foundation during the six months ended March 31, 2011. Excluding the one-time charitable contribution, noninterest expenses increased \$254,000 or 5.4% due primarily to increases in compensation and employee benefits and other operating expenses as a result of general cost increases and additional staffing in the lending area.

**Income Tax Expense.** The Company recorded a provision for income tax of \$630,000 for the six months ended March 31, 2012 compared to \$202,000 for the six months ended March 31, 2011. The tax effect of the charitable foundation contribution for the six months ended March 31, 2011 was a benefit of \$468,000.

**Non-Performing and Problem Assets**

There were no loans in arrears 90 days or more and still accruing interest. 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, 2012	27	\$ 4,396	1.48%
September 30, 2011	26	4,626	1.60

At March 31, 2012 and September 30, 2011, the Company had impaired loans totaling \$2.9 million and \$3.1 million, respectively. The largest impaired loan at both dates was a \$1.1 million loan representing a 6% interest in a participation loan which 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, 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, 2012.

At March 31, 2012, we had \$14.7 million in loan commitments outstanding, \$13.0 million of which were for commercial loans and \$1.7 million of which were for one- to four-family residential loans. In addition to commitments to originate loans, we had \$12.7 million in unused lines of credit to borrowers and \$295,000 in undisbursed funds for construction loans in process. Certificates of deposit due within one year of March 31, 2012 totaled \$34.0 million, or 10.8% 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.

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

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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, 2012, Standard Bank was in compliance with all regulatory capital requirements with leverage and risk-based capital ratios of 12.77% and 20.39%, respectively, and was considered well capitalized under regulatory guidelines.

**Table of Contents****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 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, 2012, 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, 2012		\$		292,000
February 1-29, 2012	10,000	15.39	10,000	282,000
March 1-31, 2012				282,000
Totals	10,000	\$ 15.39	10,000	282,000

- (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. 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.

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**ITEM 3. Defaults Upon Senior Securities**

Not Applicable

**ITEM 4. Mine Safety Disclosures**

Not Applicable

**ITEM 5. Other Information**

(a) Not Applicable

(b) Not Applicable

**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*
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
32.1	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.
- \*\* 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 10, 2012
/s/ Colleen M. Brown Colleen M. Brown	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	May 10, 2012