Standard Financial Corp.
Form 10-Q
February 08, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2011.

OR

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

For the transition period from to .

Commission File No. 001-34893

Standard Financial Corp.

(Exact name of registrant as specified in its charter)

Maryland	**27-3100949**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2640 Monroeville Boulevard, Monroeville, Pennsylvania 15146

(Address of principal executive offices)

412-856-0363

(Registrant s telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x 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	x

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 3,423,173 shares, par value $0.01, at February 1, 2012.

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

Standard Financial Corp.

Consolidated Statements of Financial Condition (Unaudited)

(Dollars in thousands)

	December 31, 2011	September 30, 2011
ASSETS		
Cash on hand and due from banks	$ 2,408	$ 1,869
Interest-earning deposits in other institutions	9,990	10,789
Cash and Cash Equivalents	12,398	12,658
Investment securities available for sale, at fair value	61,521	62,946
Mortgage-backed securities available for sale, at fair value	41,513	42,808
Federal Home Loan Bank stock, at cost	2,697	2,863
Loans receivable, net of allowance for loan losses of $4,325 and $4,521	290,704	285,113
Loans held for sale	100	100
Foreclosed real estate	1,271	743
Office properties and equipment, at cost, less accumulated depreciation	3,988	3,903
Bank-owned life insurance	9,869	9,778
Goodwill	8,769	8,769
Core deposit intangible	645	687
Prepaid federal deposit insurance	776	846
Accrued interest and other assets	3,053	3,405
TOTAL ASSETS	$ 437,304	$ 434,619
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits:		
Demand, regular and club accounts	$ 186,205	$ 186,235
Certificate accounts	138,154	134,087
Total Deposits	324,359	320,322
Federal Home Loan Bank advances	27,651	28,520
Securities sold under agreements to repurchase	3,342	2,897
Advance deposits by borrowers for taxes and insurance	615	588
Securities purchased not settled	703	993
Accrued interest and other expenses	2,263	2,583
TOTAL LIABILITIES	358,933	355,903

Stockholders Equity

Preferred Stock, $0.01 par value per share, 10,000,000 shares authorized, none issued		
Common Stock, $0.01 par value per share, 40,000,000 shares authorized, 3,423,173 and 3,478,173 shares outstanding, respectively	34	35
Additional paid-in-capital	32,593	33,403
Retained earnings	47,162	46,475
Unearned Employee Stock Ownership Plan (ESOP) shares	(2,759)	(2,797)
Accumulated other comprehensive income	1,341	1,600
TOTAL STOCKHOLDERS EQUITY	78,371	78,716
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 437,304	$ 434,619

See accompanying notes to the consolidated financial statements.

Standard Financial Corp.

Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended December 31, 2011	2010
Interest and Dividend Income		
Loans, including fees	$ 3,787	$ 3,983
Mortgage-backed securities	274	279
Investments:		
Taxable	180	238
Tax-exempt	188	140
Interest-earning deposits	12	11
Total Interest and Dividend Income	4,441	4,651
Interest Expense		
Deposits	929	1,024
Securities sold under agreements to repurchase	2	6
Federal Home Loan Bank advances	194	309
Total Interest Expense	1,125	1,339
Net Interest Income	3,316	3,312
Provision for Loan Losses	300	350
Net Interest Income after Provision for Loan Losses	3,016	2,962
Noninterest Income		
Service charges	396	423
Earnings on bank-owned life insurance	101	98
Net securities gains	52	2
Net loan sale gains	12	49
Annuity and mutual fund fees	27	36
Other income	6	9
Total Noninterest Income	594	617
Noninterest Expenses		
Compensation and employee benefits	1,408	1,371
Data processing	107	91
Premises and occupancy costs	257	226
Core deposit amortization	42	42
Automatic teller machine expense	81	76
Federal deposit insurance	75	111
Contribution to Standard Charitable Foundation		1,376
Other operating expenses	448	398

Total Noninterest Expenses		2,418		3,691
Income (Loss) before Income Tax Expense (Benefit)		1,192		(112)
Income Tax Expense (Benefit)				
Federal		299		(128)
State		62		(2)
Total Income Tax Expense (Benefit)		361		(130)
Net Income	$	831	$	18
Earnings Per Share:				
Basic earnings per common share	$	0.26	$	
Diluted earnings per common share	$	0.26	$	
Weighted average shares outstanding		3,202,124		3,202,289

See accompanying notes to the consolidated financial statements.

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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	Total Stockholders Equity
Balance, September 30, 2011	$ 35	$ 33,403	$ 46,475	$ (2,797)	$ 1,600	$ 78,716
Comprehensive Income:						
Net income			831			831
Net change in unrealized gain on securities available for sale, net of reclassification adjustment, net of taxes					(259)	(259)
Total Comprehensive Income (Loss)			831		(259)	572
Stock repurchases (55,000 shares)	(1)	(826)				(827)
Cash dividends at $.045 per share			(144)			(144)
Compensation expense on ESOP		16		38		54
Balance, December 31, 2011	$ 34	$ 32,593	$ 47,162	$ (2,759)	$ 1,341	$ 78,371

See accompanying notes to the consolidated financial statements.

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Standard Financial Corp.

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Three Months Ended December 31, 2011	2010
Cash Flows from Operating Activities		
Net income	$ 831	$ 18
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106	95
Provision for loan losses	300	350
Amortization of core deposit intangible	42	42
Net amortization of premium/discount on securities	96	93
Net gain on securities	(52)	(2)
Origination of loans held for sale	(632)	(1,800)
Proceeds from sale of loans held for sale	644	2,310
Gain on sale of loans held for sale	(12)	(49)
Compensation expense on ESOP	54	50
Stock contribution to Charitable Foundation		1,176
Decrease (increase) in deferred income taxes	100	(468)
Decrease in accrued interest and other assets	391	148
Decrease in prepaid Federal deposit insurance	70	103
Earnings on bank-owned life insurance	(101)	(98)
Decrease in accrued interest payable	(5)	(11)
Decrease in other accrued expenses	(315)	(150)
Increase in accrued income taxes payable	18	138
Other, net	60	8
Net Cash Provided by Operating Activities	1,595	1,953
Cash Flows from Investing Activities		
Net increase in loans	(6,470)	(4,594)
Purchases of investment securities	(14,723)	(14,896)
Purchases of mortgage-backed securities	(2,051)	(21,080)
Proceeds from maturities/principal repayments/calls of:		
Investment securities	9,701	9,363
Mortgage-backed securities	2,977	2,182
Proceeds from sales of investment securities	6,091	4
Redemption of Federal Home Loan Bank stock	142	170
Net purchases of office properties and equipment	(191)	(122)
Net Cash Used in Investing Activities	(4,524)	(28,973)
Cash Flows from Financing Activities		
Net decrease in demand, regular and club accounts	(30)	(1,736)
Net increase (decrease) in certificate accounts	4,067	(1,185)
Net increase in securities sold under agreements to repurchase	445	806
Stock proceeds less conversion expenses		457
Purchase of ESOP shares		(1,168)
Repayments of Federal Home Loan Bank advances	(869)	(16)
Increase in advance deposits by borrowers for taxes and insurance	27	19
Dividends paid	(144)	

Stock repurchases		(827)		
Net Cash Provided (Used) by Financing Activities		2,669		(2,823)
Net Decrease in Cash and Cash Equivalents		(260)		(29,843)
Cash and Cash Equivalents - Beginning		12,658		38,988
Cash and Cash Equivalents - Ending	$	12,398	$	9,145
Supplementary Cash Flows Information				
Interest paid	$	1,130	$	1,350
Income taxes paid	$	243	$	200
Supplementary Schedule of Noncash Investing and Financing Activities				
Foreclosed real estate acquired in settlement of loans	$	579	$	56
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	$	703	$	993

See accompanying notes to the consolidated financial statements.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(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 month period ended December 31, 2011 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 with the 2012 presentation format. These reclassifications had no effect on stockholders equity or net income.

(3) Comprehensive Loss

Recognized revenue, expenses, gains and losses are included in net income. However, certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of stockholders equity in the Statements of Financial Condition. Such items, along with net income, are components of comprehensive income. The components of other comprehensive income (loss) and related tax effects for the three months ended December 31, 2011 and 2010 are as follows (dollars in thousands):

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010
Unrealized holding loss on available-for-sale securities	$ (340)	$ (1,794)
Reclassification adjustment for gains realized in income	(52)	(2)
Net unrealized loss	(392)	(1,796)
Income tax benefit	133	611
Net of Tax Amount	$ (259)	$ (1,185)

(4) 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.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(4) Recent Accounting Pronouncements (Continued)

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.

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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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(5) Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2011:				
U.S. government and agency obligations due:				
Beyond 1 year but within 5 years	$ 19,993	$ 108	$	$ 20,101
Beyond 5 years but within 10 years	4,000	19		4,019
Corporate bonds due:				
Beyond 1 year but within 5 years	7,254	18	(468)	6,804
Municipal obligations due:				
Within 1 year	930	8		938
Beyond 1 year but within 5 years	1,267	11		1,278
Beyond 5 years but within 10 years	19,929	1,238	(3)	21,164
Beyond 10 years	5,642	284		5,926
Equity securities:				
CRA Investment Fund	750	16		766
Freddie Mac common stock	10		(2)	8
Common stocks	464	68	(15)	517
	$ 60,239	$ 1,770	$ (488)	$ 61,521

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011:				
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
Common stocks	458	36	(27)	467
	$ 61,561	$ 1,612	$ (227)	$ 62,946

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(5) Investment Securities (Continued)

During the three months ended December 31, 2011, gains on sales of investment securities were $52,000 and proceeds from such sales were $6.1 million. During the three months ended December 31, 2010, gains on sales of investment securities were $2,000 and proceeds from such sales were $4,000.

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 December 31, 2011 and at September 30, 2011 (dollars in thousands):

	December 31, 2011					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds	$ 1,798	$ (202)	$ 3,734	$ (266)	$ 5,532	$ (468)
Municipal obligations	457	(3)			457	(3)
Equity securities			73	(17)	73	(17)
Total Temporarily Impaired Securities	$ 2,255	$ (205)	$ 3,807	$ (283)	$ 6,062	$ (488)

	September 30, 2011					
	Less than 12 Months		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)
Total Temporarily Impaired Securities	$ 2,018	$ (83)	$ 3,936	$ (144)	$ 5,954	$ (227)

At December 31, 2011 and September 30, 2011, the Company held 11 and 16, respectively, securities in an unrealized loss position. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. The Company does not intend to sell these securities nor is it more likely than not that the Company would be required to sell these securities before 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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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(6) Mortgage-Backed Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2011:				
Government pass-throughs:				
Ginnie Mae	$ 18,496	$ 116	$ (62)	$ 18,550
Fannie Mae	17,429	429		17,858
Freddie Mac	4,306	259		4,565
Private pass-throughs	129		(1)	128
Collateralized mortgage obligations	404	8		412
	$ 40,764	$ 812	$ (63)	$ 41,513

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011:				
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 three months ended December 31, 2011 and 2010, there were no sales of mortgage-backed securities.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(6) 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 December 31, 2011 and at September 30, 2011 (dollars in thousands):

	December 31, 2011					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Ginnie Mae	$ 11,632	$ (62)	$	$	$ 11,632	$ (62)
Private pass-throughs			129	(1)	129	(1)
Total Temporarily Impaired Securities	$ 11,632	$ (62)	$ 129	$ (1)	$ 11,761	$ (63)

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

At December 31, 2011 and September 30, 2011, the Company held 4 and 3, respectively, mortgage-backed securities in an unrealized loss position. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. The Company does not intend to sell these securities nor is it more likely than not that the Company would be required to sell these securities before 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 $23.0 million and $25.1 million were pledged to secure repurchase agreements and public fund accounts at December 31, 2011 and at September 30, 2011, respectively.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(7) Loans Receivable and Related Allowance for Loan Losses

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

	Real Estate Loans					
	One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial	Other Loans	Total
December 31, 2011:						
Total loans before allowance for loan losses	$ 144,130	$ 90,683	$ 46,334	$ 11,517	$ 2,365	$ 295,029
Individually evaluated for impairment	$	$ 2,190	$	$ 616	$	$ 2,806
Collectively evaluated for impairment	$ 144,130	$ 88,493	$ 46,334	$ 10,901	$ 2,365	$ 292,223
September 30, 2011:						
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 December 31, 2011 and September 30, 2011.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(7) 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 December 31, 2011 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
December 31, 2011:					
Commercial real estate	$ 2,190	$ 657	$	$ 2,190	$ 2,190
Commercial	616	185		616	616
Total impaired loans	$ 2,806	$ 842	$	$ 2,806	$ 2,806
September 30, 2011:					
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 December 31,	
	2011	2010
Average investment in impaired loans:		
Commercial real estate	$ 2,645	$ 1,384
Commercial	328	996
Total impaired loans	$ 2,973	$ 2,380
Interest income recognized on impaired loans:		

Accrual basis	$	$

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.

STANDARD FINANCIAL CORP.

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December 31, 2011

(7) 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 December 31, 2011 and September 30, 2011 (dollars in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2011:					
First mortgage loans:					
One-to-four-family residential and construction	$ 143,175	$	$ 955	$	$ 144,130
Commercial real estate	84,360	2,816	3,507		90,683
Home equity loans and lines of credit	46,256		78		46,334
Commercial loans	10,901		616		11,517
Other loans	2,357			8	2,365
Total	$ 287,049	$ 2,816	$ 5,156	$ 8	$ 295,029
September 30, 2011:					
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
Total	$ 279,873	$ 2,808	$ 6,950	$ 3	$ 289,634

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

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

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of December 31, 2011 and September 30, 2011 (dollars in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	Non-Accrual (90 Days+)	Total Loans
December 31, 2011:					
First mortgage loans:					
One-to-four-family residential and construction	$ 139,311	$ 3,516	$ 348	$ 955	$ 144,130
Commercial real estate	86,886	1,553	54	2,190	90,683
Home equity loans and lines of credit	46,015	50	191	78	46,334
Commercial loans	10,750	42	109	616	11,517
Other loans	2,349	8		8	2,365
Total	$ 285,311	$ 5,169	$ 702	$ 3,847	$ 295,029
September 30, 2011:					
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
Total	$ 280,982	$ 3,054	$ 972	$ 4,626	$ 289,634

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

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

Management has identified a number of additional qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The additional factors are evaluated using information obtained from internal, regulatory, and governmental sources such as national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volumes and terms of loans; effects of changes in lending policies; value of underlying collateral; and concentrations of credit from a loan type, industry and/or geographic standpoint. Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ALL. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the ALL. Management utilizes an internally developed spreadsheet to track and apply the various components of the allowance.

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

The following tables summarize the primary segments of the ALL, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment. Activity in the allowance is presented for the three months ended December 31, 2011 and December 31, 2010 (dollars in thousands):

	Real Estate Loans					
	One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial	Other Loans	Total
Balance at September 30, 2011	$ 682	$ 3,024	$ 173	$ 452	$ 190	$ 4,521
Charge-offs		(54)		(500)	(2)	(556)
Recoveries		58		1	1	60
Provision				300		300
Balance at December 31, 2011	$ 682	$ 3,028	$ 173	$ 253	$ 189	$ 4,325
Individually evaluated for impairment	$	$ 657	$	$ 185	$	$ 842
Collectively evaluated for impairment	$ 682	$ 2,371	$ 173	$ 68	$ 189	$ 3,483

	Real Estate Loans					
	One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial	Other Loans	Total
Balance at September 30, 2010	$ 609	$ 2,460	$ 220	$ 483	$ 217	$ 3,989
Charge-offs		(192)			(10)	(202)
Recoveries	11	30		1	2	44
Provision	207	127	3	7	6	350
Balance at December 31, 2010	$ 827	$ 2,425	$ 223	$ 491	$ 215	$ 4,181
Individually evaluated for impairment	$	$ 922	$	$	$	$ 922
Collectively evaluated for impairment	$ 827	$ 1,503	$ 223	$ 491	$ 215	$ 3,259

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.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(8) 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).

(9) 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 EPS. Compensation expense related to the ESOP of $54,000 and $50,000 was recognized during the quarters ended December 31, 2011 and December 31, 2010, respectively.

As of December 31, 2011, 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 $4.0 million at December 31, 2011.

(10) Fair Value Measurements

The Company provides disclosures about assets and liabilities carried at fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The three broad levels of the fair value hierarchy are described below:

Level I: Inputs to the valuation methodology are unadjusted quoted prices are available for identical assets or liabilities in active markets that the Company has the ability to access.

Level II: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by corroborated or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability.

Level III: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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STANDARD FINANCIAL CORP.

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December 31, 2011

(10) Fair Value Measurements (Continued)

The following table presents the assets reported on the balance sheet at their fair value as of December 31, 2011 and September 30, 2011 by level within the fair value hierarchy (dollars in thousands):

	December 31, 2011			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
U.S. government and agency obligations	$	$ 24,120	$	$ 24,120
Corporate bonds		6,804		6,804
Municipal obligations		29,306		29,306
Equity securities	1,291			1,291
Mortgage-backed securities		41,513		41,513
Assets measured at fair value on a non-recurring basis:				
Impaired loans			1,964	1,964
Foreclosed real estate			1,271	1,271
	$ 1,291	$ 101,743	$ 3,235	$ 106,269

	September 30, 2011			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
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
Mortgage-backed securities		42,808		42,808
Assets measured at fair value on a non-recurring basis:				
Impaired loans			2,198	2,198
Foreclosed real estate			743	743
	$ 1,246	$ 104,508	$ 2,941	$ 108,695

No liabilities are carried at fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Fair values for U.S. government and agency obligations, corporate bonds, municipal obligations and mortgage-backed securities are valued at valued at observable market data for similar assets. Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

(11) Fair Value of Financial Instruments

Disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition, is required for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be sustained by comparison of independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Certain financial instruments and all nonfinancial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts do not represent the underlying value of the Company. The carrying amounts reported in the consolidated statements of financial condition approximate fair value for the following financial instruments: 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, and accrued interest payable.

Fair values for investment securities and mortgage-backed securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments with similar credit, maturity, and interest rate characteristics. The fair values for one-to-four-family and other residential loans are estimated using current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Where quoted prices were available, such market rates were utilized. The carrying amount of construction loans approximates its fair value given their short-term nature. The fair values of loans secured by savings accounts, consumer loans, second mortgage loans, automobile, home equity, commercial loans, and loans for real estate sold on contract are estimated using discounted cash flow analyses, using interest rates currently being offered for loans in the current market with similar terms to borrowers of similar creditworthiness. The estimated fair value of nonperforming loans is the as is appraised value of the underlying collateral.

The fair values of deposits with no stated maturities, which include non-interest-bearing checking, NOW accounts, regular passbook, club accounts, and money market demand accounts, are equal to the amount payable on demand at the repricing date (i.e., their carrying amounts). Fair values of certificate accounts are estimated using a discounted cash flow calculation that applies a comparable market interest rate to the aggregated weighted-average maturity of time deposits.

Fair values of borrowed funds are estimated using a discounted cash flow calculation that applies a comparable FHLB advance rate to the weighted average maturity of the borrowings.

There is no material difference between the carrying value and estimate fair value of commitments to extend credit, which are generally priced at market at the time of commitment.

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STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2011

Note 11 Fair Value of Financial Instruments (Continued)

The carrying amounts and estimated fair value of the Company s financial assets and financial liabilities at December 31, 2011 and September 30, 2011 (dollars in thousands):

	December 31, 2011		September 30, 2011	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial Assets:				
Cash on hand and due from banks	$ 2,408	$ 2,408	$ 1,869	$ 1,869
Interest-earning deposits in other institutions	9,990	9,990	10,789	10,789
Investment securities	61,521	61,521	62,946	62,946
Mortgage-backed securities	41,513	41,513	42,808	42,808
Loans receivable	303,715	290,704	297,800	285,113
Loans held for sale	102	100	102	100
Accrued interest receivable	1,294	1,294	1,337	1,337
Federal Home Loan Bank stock	2,697	2,697	2,839	2,839
Bank-owned life insurance	9,869	9,869	9,778	9,778
Financial Liabilities:				
Deposits	330,131	324,359	326,717	320,322
Federal Home Loan Bank advances	28,387	27,651	29,500	28,520
Securities sold under agreements to repurchase	3,342	3,342	2,897	2,897
Accrued interest payable	263	263	268	268
Off-balance sheet financial instruments:				
Commitment to extend credit and letters of credit				

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 December 31, 2011 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.

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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

General. The Company s total assets increased $2.7 million, or 0.6%, to $437.3 million at December 31, 2011 from $434.6 million at September 30, 2011. The increase was due primarily to an increase in net loans, partially offset by a decrease in investment securities and mortgage-backed securities. Total liabilities increased $3.0 million, or 0.9%, to $358.9 million at December 31, 2011 from $355.9 million at September 30, 2011. The increase was due primarily to an increase in deposits.

Cash and Cash Equivalents. Cash and cash equivalents decreased $260,000, or 2.1%, to $12.4 million at December 31, 2011 from $12.7 million at September 30, 2011.

Loans. At December 31, 2011, net loans were $290.7 million, or 66.5% of total assets, an increase of $5.6 million from $285.1 million or 65.6% of total assets at September 30, 2011. This increase was primarily due to increases of $2.6 million in the commercial real estate portfolio and $2.3 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. At December 31, 2011, the Company s investment securities available for sale portfolio decreased $1.4 million or 2.3% to $61.5 million at December 31, 2011 from $62.9 million at September 30, 2011. Purchases during the quarter ended December 31, 2011 consisted of $11.0 million of government agency bonds and $3.4 million of tax-exempt municipal securities. The purchases were offset by sales of government agency bonds of $6.0 million, calls of government agency bonds and taxable municipals of $5.5 million and $1.0 million, respectively, and maturities of tax-exempt municipals of $3.2 million.

Mortgage-Backed Securities. At December 31, 2011, the Company s mortgage-backed securities available for sale portfolio decreased $1.3 million or 3.0% to $41.5 million at December 31, 2011 from $42.8 million at September 30, 2011. Purchases during the quarter ended December 31, 2011 consisted of $2.1 million of mortgage-backed securities offset by repayments on mortgage-backed securities of $3.0 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 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.

Our deposits increased $4.1 million, or 1.3%, to $324.4 million at December 31, 2011 from $320.3 million at September 30, 2011. The increase resulted from a $4.1 million, or 3.0%, increase in certificates of deposit. 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 decreased $424,000 or 1.3% to $31.0 million at December 31, 2011 from $31.4 million at September 30, 2011. The decrease was due primarily to the maturity and repayment of an $869,000 Federal Home Loan Bank advance.

Stockholders Equity. Stockholders equity decreased $345,000, or 0.4%, to $78.4 million at December 31, 2011 from $78.7 million at September 30, 2011. The decrease was due primarily to the repurchase of common stock totaling $827,000 and cash dividends paid totaling $144,000, partly offset by net income of $831,000 for the first fiscal quarter.

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Average Balance and Yields

The following table sets 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 table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	For the Three Months Ended December 31,					
	2011			2010		
	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans	$ 291,735	$ 3,787	5.19%	$ 292,145	$ 3,983	5.45%
Investment and mortgage-backed securities	103,043	642	2.49%	95,031	657	2.77%
Interest earning deposits	11,700	12	0.41%	22,045	11	0.20%
Total interest-earning assets	406,478	4,441	4.37%	409,221	4,651	4.55%
Noninterest-earning assets	30,339			28,508		
Total assets	$ 436,817			$ 437,729		
Interest-bearing liabilities:						
Savings accounts	$ 114,053	63	0.22%	$ 123,429	177	0.57%
Certificates of deposit	136,804	851	2.49%	125,030	824	2.64%
Money market accounts	6,775	2	0.12%	6,829	5	0.29%
Demand and NOW accounts	65,910	13	0.08%	59,769	18	0.12%
Total deposits	323,542	929	1.15%	315,057	1,024	1.30%
Federal Home Loan Bank advances	28,213	194	2.75%	37,449	309	3.30%
Securities sold under agreements to repurchase	4,064	2	0.20%	4,977	6	0.48%
Total interest-bearing liabilities	355,819	1,125	1.26%	357,483	1,339	1.50%
Noninterest-bearing liabilities	2,603			5,317		
Total liabilities	358,422			362,800		
Stockholders equity	78,394			74,929		
Total liabilities and stockholders equity	$ 436,816			$ 437,729		
Net interest income		$ 3,316			$ 3,312	
Net interest rate spread [(1)]			3.11%			3.05%
Net interest-earning assets [(2)]	$ 50,659			$ 51,738		
Net interest margin [(3)]			3.26%			3.24%
Average interest-earning assets to interest-bearing liabilities	114.24%			114.47%		

(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 December 31, 2011 and 2010

General. Net income for the quarter ended December 31, 2011 was $831,000 compared to $18,000 for the quarter ended December 31, 2010. Net income for the three months ended December 31, 2010 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 after tax impact of the contribution, net income would have been $926,000 for the quarter ended December 31, 2010**.** Excluding the one-time charitable contribution, net income decreased $95,000 for the quarter ended December 31, 2011 compared to the quarter ended December 31, 2010 due primarily to an increase in noninterest expenses of $103,000, lower noninterest income of $23,000, partially offset by a $50,000 decrease in the provision for loan losses.

Net Interest Income. Net interest income for the quarter ended December 31, 2011 of $3.3 million was unchanged from the quarter ended December 31, 2010. Our net interest rate spread and net interest margin were 3.11% and 3.26%, respectively for the three months ended December 31, 2011 compared to 3.05% and 3.24% 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 December 31, 2011 decreased $210,000 compared to the same period in the prior year. The decrease was due to a decrease in the average balance of interest-earning assets and a decrease in the average yield on interest-earning assets. Average interest-earning assets decreased by $2.7 million, or 0.7% to $406.5 million for the three months ended December 31, 2011 from $409.2 million for the same period in 2010. The average yield on interest-earning assets decreased to 4.37% for the three months ended December 31, 2011 from 4.55% for the same period in the prior year.

Interest income on loans decreased $196,000, or 4.9%, to $3.8 million for the three months ended December 31, 2011 due primarily to a decrease in the average yield on loans. The average yield on loans receivable decreased to 5.19% for the three months ended December 31, 2011 from 5.45% for the same period in the prior year. The decrease in average yield was primarily attributable to our variable rate loans adjusting downward as prime and short-term interest rates remained low as well as the origination of new loans in a generally lower interest rate environment and repayment/refinance of higher rate loans. Average loans receivable decreased by $410,000, or 0.1%, to $291.7 million for the three months ended December 31, 2011 from $292.1 million for the same period in the prior year.

Interest income on investment and mortgage-backed securities decreased by $15,000, or 0.1%, to $642,000 for the three months ended December 31, 2011 from $657,000 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 2.49% for the three months ended December 31, 2011 from 2.77% 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 $8.0 million, or 8.4%, to $103.0 million for the three months ended December 31, 2011 from $95.0 million for the same period in the prior year.

Interest Expense. Total interest expense decreased by $214,000, or 16.0%, to $1.1 million for the three months ended December 31, 2011 from $1.3 million for the same period in 2010. This decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities to 1.26% for the three months ended December 31, 2011 from 1.50% for the prior year period. In addition, average interest-bearing liabilities decreased by $1.7 million, or 0.5%, to $355.8 million for the three months ended December 31, 2011 from $357.5 million for the same period in the prior year.

Interest expense on deposits decreased by $95,000, or 9.3%, to $929,000 for the three months ended December 31, 2011 from $1.0 million for the same period in the prior year. The average cost of deposits declined from 1.30% for the three months ended December 31, 2010 to 1.15% for the three months ended December 31, 2011. 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 was an increase in the average balance of certificates of deposit which increased $11.8 million, or 9.4%, to $136.8 million for the three months ended December 31, 2011 from $125.0 million for the same period in 2010.

Interest expense on Federal Home Loan Bank advances decreased $115,000 or 37.2%, to $194,000 for the three months ended December 31, 2011 from $309,000 for the same period during 2010. The average balance of advances decreased $9.2 million or 24.7% to $28.2 million for the three months ended December 31, 2011 compared to the same period in the prior year. In addition, the average cost of advances decreased to 2.75% for the quarter ended December 31, 2011 from 3.30% for the quarter ended December 31, 2010 as higher rate advances matured and were repaid.

Provision for Loan Losses. The provision for loan losses decreased by $50,000, or 14.3%, to $300,000 for the three months ended December 31, 2011 from $350,000 for the same period in 2010. Non-performing loans at December 31, 2011 were $3.8 million or 1.30% of total loans compared to $4.0 million or 1.35% of total loans at December 31, 2010. 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 decreased $23,000, or 3.7%, to $594,000 for the three months ended December 31, 2011 from $617,000 for the same period in the prior year due mainly to lower net loan sale gains and lower service charges on deposits. Partially offsetting these decreases were higher net securities gains.

Noninterest Expenses. Noninterest expenses decreased by $1.3 million, or 34.5%, to $2.4 million for the three months ended December 31, 2011 compared to the same period in 2010. The decrease was due to a $1.4 million one-time contribution to Standard Charitable Foundation during the three months ended December 31, 2010. Excluding the one-time charitable contribution, noninterest expenses increased $103,000 or 4.5% due primarily to increased compensation and employee benefits and other operating expenses.

Income Tax Expense (Benefit). The Company recorded a provision for income tax of $361,000 for the three months ended December 31, 2011 compared to an income tax benefit of $130,000 for the three months ended December 31, 2010. The tax effect of the charitable foundation contribution for the quarter ended December 31, 2010 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	Percentage of Loans Receivable
		(Dollars in thousands)	
December 31, 2011	26	$ 3,847	1.30%
September 30, 2011	26	4,626	1.60

At December 31, 2011 and September 30, 2011, the Company had impaired loans totaling $2.8 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 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 December 31, 2011.

At December 31, 2011, we had $17.5 million in loan commitments outstanding, $14.6 million of which were for commercial loans and $2.9 million of which were for one- to four-family loans. In addition to commitments to originate loans, we had $12.7 million in unused lines of credit to borrowers and $92,000 in undisbursed funds for construction loans in process. Certificates of deposit due within one year of December 31, 2011 totalled $32.7 million, or 10.1% 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 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 December 31, 2011, Standard Bank was in compliance with all regulatory capital requirements with leverage and risk-based capital ratios of 12.62% and 20.52%, respectively, and was considered well capitalized under regulatory guidelines.

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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 December 31, 2011, 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)
October 1-31, 2011	5,000	$ 14.91	5,000	342,000
November 1-30, 2011	10,000	14.85	10,000	332,000
December 1-31, 2011	40,000	15.10	40,000	292,000
Totals	55,000	$ 15.04	55,000	292,000

(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. (Removed and Reserved)

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	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 **
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	President, Chief Executive Officer and Director (Principal Executive Officer)	February 8, 2012
Timothy K. Zimmerman		
/s/ Colleen M. Brown	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 8, 2012
Colleen M. Brown		