Standard Financial Corp.
Form 10-Q
August 09, 2012
Table of Contents

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 June 30, 2012

OR

o **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 o

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 o

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 o	Accelerated filer o
Non-accelerated filer o (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). o 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: 3,511,173 shares, par value $0.01, at August 1, 2012.

Table of Contents

Standard Financial Corp.

Table of Contents

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

Standard Financial Corp.

Consolidated Statements of Financial Condition (Unaudited)

(Dollars in thousands)

	June 30, 2012	September 30, 2011
ASSETS		
Cash on hand and due from banks	$ 1,891	$ 1,869
Interest-earning deposits in other institutions	8,627	10,789
Cash and Cash Equivalents	10,518	12,658
Investment securities available for sale, at fair value	66,194	62,946
Mortgage-backed securities available for sale, at fair value	43,363	42,808
Federal Home Loan Bank stock, at cost	2,780	2,839
Loans receivable, net of allowance for loan losses of $4,338 and $4,521	292,329	285,113
Loans held for sale	419	100
Foreclosed real estate	560	743
Office properties and equipment, at cost, less accumulated depreciation	3,931	3,903
Bank-owned life insurance	10,046	9,778
Goodwill	8,769	8,769
Core deposit intangible	561	687
Prepaid federal deposit insurance	647	846
Accrued interest and other assets	2,586	3,429
TOTAL ASSETS	$ 442,703	$ 434,619
Liabilities		
Deposits:		
Demand, regular and club accounts	$ 186,543	$ 186,235
Certificate accounts	139,151	134,087
Total Deposits	325,694	320,322
Federal Home Loan Bank advances	31,618	28,520
Securities sold under agreements to repurchase	2,199	2,897
Advance deposits by borrowers for taxes and insurance	657	588
Securities purchased not settled		993
Accrued interest and other expenses	2,455	2,583
TOTAL LIABILITIES	362,623	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, 3,410,573 and 3,478,173 shares outstanding, respectively		34		35
Additional paid-in-capital		32,435		33,403
Retained earnings		48,400		46,475
Unearned Employee Stock Ownership Plan (ESOP) shares		(2,682)		(2,797)
Accumulated other comprehensive income		1,893		1,600
TOTAL STOCKHOLDERS EQUITY		80,080		78,716
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	442,703	$	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 June 30, 2012	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Interest and Dividend Income				
Loans, including fees	$ 3,617	$ 3,918	$ 11,121	$ 11,856
Mortgage-backed securities	282	350	832	939
Investments:				
Taxable	183	219	549	680
Tax-exempt	215	155	607	455
Interest-earning deposits	1	1	4	7
Total Interest and Dividend Income	4,298	4,643	13,113	13,937
Interest Expense				
Deposits	896	905	2,738	2,863
Securities sold under agreements to repurchase	1	4	5	13
Federal Home Loan Bank advances	194	283	575	888
Total Interest Expense	1,091	1,192	3,318	3,764
Net Interest Income	3,207	3,451	9,795	10,173
Provision for Loan Losses	300	425	900	1,200
Net Interest Income after Provision for Loan Losses	2,907	3,026	8,895	8,973
Noninterest Income				
Service charges	388	401	1,195	1,208
Earnings on bank-owned life insurance	99	100	299	294
Net securities gains			55	2
Net loan sale gains	85	10	128	70
Annuity and mutual fund fees	38	79	102	149
Other income	5	6	21	26
Total Noninterest Income	615	596	1,800	1,749
Noninterest Expenses				
Compensation and employee benefits	1,446	1,383	4,306	4,111
Data processing	103	96	326	285
Premises and occupancy costs	279	259	818	741
Core deposit amortization	42	42	126	126
Automatic teller machine expense	75	82	235	231
Federal deposit insurance	69	80	217	299
Contribution to Standard Charitable Foundation				1,376
Other operating expenses	437	446	1,353	1,271
Total Noninterest Expenses	2,451	2,388	7,381	8,440
Income before Income Tax Expense	1,071	1,234	3,314	2,282
Income Tax Expense				
Federal	257	325	791	472
State	50	64	146	119

Total Income Tax Expense		307		389		937		591
Net Income	$	764	$	845	$	2,377	$	1,691
Earnings Per Share:								
Basic earnings per common share	$	0.24	$	0.26	$	0.75	$	0.53
Cash dividends paid per common share	$	0.045	$		$	0.135	$	
Weighted average shares outstanding		3,158,685		3,209,516		3,173,589		3,205,889

See accompanying notes to the consolidated financial statements.

Table of Contents

Standard Financial Corp.

Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Net Income	$ 764	$ 845	$ 2,377	$ 1,691
Other comprehensive income (loss):				
Comprehensive gain (loss) on securities available for sale	805	1,331	499	(344)
Tax effect	(274)	(453)	(170)	117
Reclassification adjustment for gains realized in income			(55)	(2)
Tax effect			19	1
Total other comprehensive income (loss)	531	878	293	(228)
Total Comprehensive Income	$ 1,295	$ 1,723	$ 2,670	$ 1,463

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	Total Stockholders Equity
Balance, September 30, 2011	$ 35	$ 33,403	$ 46,475	$ (2,797)	$ 1,600	$ 78,716
Net income			2,377			2,377
Other comprehensive income					293	293
Stock repurchases (67,600 shares)	(1)	(1,022)				(1,023)
Cash dividends ($0.135 per share)			(452)			(452)
Compensation expense on ESOP		54		115		169
Balance, June 30, 2012	$ 34	$ 32,435	$ 48,400	$ (2,682)	$ 1,893	$ 80,080

See accompanying notes to the consolidated financial statements.

Table of Contents

Standard Financial Corp.

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Nine Months Ended June 30, 2012	2011
Cash Flows from Operating Activities		
Net income	$ 2,377	$ 1,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	316	294
Provision for loan losses	900	1,200
Amortization of core deposit intangible	126	126
Net amortization of premium/discount on securities	231	240
Net gain on securities	(55)	(2)
Origination of loans held for sale	(5,166)	(3,294)
Proceeds from sale of loans held for sale	4,975	3,701
Gain on sale of loans held for sale	(128)	(70)
Compensation expense on ESOP	169	162
Stock contribution to Charitable Foundation		1,176
Deferred income taxes	200	(623)
Decrease (increase) in accrued interest and other assets	372	(163)
Decrease in prepaid Federal deposit insurance	199	273
Earnings on bank-owned life insurance	(299)	(294)
Increase (decrease) in accrued interest payable	13	(40)
(Decrease) increase in other accrued expenses	(141)	451
Increase in accrued income taxes payable	120	13
Other, net	105	133
Net Cash Provided by Operating Activities	4,314	4,974
Cash Flows from Investing Activities		
Net increase in loans	(8,987)	(5,137)
Purchases of investment securities	(24,770)	(30,911)
Purchases of mortgage-backed securities	(9,510)	(27,977)
Proceeds from maturities/principal repayments/calls of:		
Investment securities	14,872	27,559
Mortgage-backed securities	8,769	6,000
Proceeds from sales of investment securities	6,110	504
Redemption of Federal Home Loan Bank stock	277	488
Purchases of Federal Home Loan Bank stock	(218)	(60)
Proceeds from sales of foreclosed real estate	981	383
Net purchases of office properties and equipment	(344)	(452)
Net Cash Used in Investing Activities	(12,820)	(29,603)
Cash Flows from Financing Activities		
Net increase (decrease) in demand, regular and club accounts	308	(1,400)
Net increase in certificate accounts	5,064	711
Net (decrease) increase in securities sold under agreements to repurchase	(698)	990
Stock proceeds less conversion expenses		457
Purchase of ESOP shares		(1,168)
Repayments of Federal Home Loan Bank advances	(4,904)	(8,633)
Proceeds from Federal Home Loan Bank advances	8,002	7,752
Net increase in advance deposits by borrowers for taxes and insurance	69	213
Dividends paid	(452)	
Stock repurchases	(1,023)	

Net Cash Provided (Used) by Financing Activities		6,366		(1,078)
Net Decrease in Cash and Cash Equivalents		(2,140)		(25,707)
Cash and Cash Equivalents - Beginning		12,658		38,988
Cash and Cash Equivalents - Ending	$	10,518	$	13,281
Supplementary Cash Flows Information				
Interest paid	$	3,305	$	3,804
Income taxes paid	$	617	$	1,204
Supplementary Schedule of Noncash Investing and Financing Activities				
Foreclosed real estate acquired in settlement of loans	$	871	$	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	$		$	1,160

See accompanying notes to the consolidated financial statements.

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 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 nine month periods ended June 30, 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.

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.

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012

(4) Investment Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2012:				
U.S. government and agency obligations due:				
Beyond 1 year but within 5 years	$ 17,993	$ 121	$	$ 18,114
Beyond 5 years but within 10 years	7,000	41	(1)	7,040
Corporate bonds due:				
Within 1 year	251	6		257
Beyond 1 year but within 5 years	7,002	35	(261)	6,776
Municipal obligations due:				
Within 1 year	680	1		681
Beyond 1 year but within 5 years	2,543	143		2,686
Beyond 5 years but within 10 years	21,935	1,255	(11)	23,179
Beyond 10 years	5,739	371		6,110
Equity securities:				
CRA Investment Fund	750	25		775
Freddie Mac common stock	10		(1)	9
Other common stocks	485	96	(14)	567
	$ 64,388	$ 2,094	$ (288)	$ 66,194

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

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012

(4) Investment Securities (Continued)

During the nine months ended June 30, 2012, gains on sales of investment securities were $55,000 and proceeds from such sales were $6.1 million. During the nine months ended June 30, 2011, gains on sales of investment securities were $2,000 and proceeds from such sales were $ 504,000. During the three months ended June 30, 2012 and 2011, there were no sales of investment securities.

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

	June 30, 2012					
	Less than 12 Months		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	$ 1,999	$ (1)	$	$	$ 1,999	$ (1)
Corporate bonds			5,739	(261)	5,739	(261)
Municipal obligations	983	(11)			983	(11)
Equity securities	34	(2)	77	(13)	111	(15)
Total	$ 3,016	$ (14)	$ 5,816	$ (274)	$ 8,832	$ (288)

	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	$ 2,018	$ (83)	$ 3,936	$ (144)	$ 5,954	$ (227)

At June 30, 2012 and September 30, 2011, the Company held 14 and 16 securities, respectively, in an unrealized loss position. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. The Company does not intend to sell these securities nor is it more likely than not that the Company would be required to sell these securities before their anticipated recovery, and the Company believes the collection of the investment and related interest is probable. Based on the above, the Company considers all of the unrealized losses to be temporary impairment losses.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012

(5) Mortgage-Backed Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2012:				
Government pass-throughs:				
Ginnie Mae	$ 16,390	$ 247	$	$ 16,637
Fannie Mae	19,988	591		20,579
Freddie Mac	3,482	222		3,704
Private pass-throughs	125		(1)	124
Collateralized mortgage obligations	2,317	9	(7)	2,319
	$ 42,302	$ 1,069	$ (8)	$ 43,363

	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 and nine months ended June 30, 2012 and 2011, there were no sales of mortgage-backed securities.

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	June 30, 2012					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private pass-throughs	$	$	$ 124	$ (1)	$ 124	$ (1)
Collateralized mortgage obligations	1,964	(7)			1,964	(7)
Total	$ 1,964	$ (7)	$ 124	$ (1)	$ 2,088	$ (8)

	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	$ 9,961	$ (52)	$ 130	$ (1)	$ 10,091	$ (53)

At June 30, 2012 and September 30, 2011, the Company held 2 and 3 mortgage-backed securities, respectively, 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 $19.6 million and $25.1 million were pledged to secure repurchase agreements and public fund accounts at June 30, 2012 and at September 30, 2011, respectively.

10

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012

(6) Loans Receivable and Related Allowance for Loan Losses

The following table summarizes the primary segments of the loan portfolio as of June 30, 2012 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**
June 30, 2012:						
Total loans before allowance for loan losses	$ 143,606	$ 91,884	$ 46,832	$ 12,072	$ 2,273	$ 296,667
Individually evaluated for impairment	$	$ 2,385	$	$ 477	$	$ 2,862
Collectively evaluated for impairment	$ 143,606	$ 89,499	$ 46,832	$ 11,595	$ 2,273	$ 293,805
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. The portfolio segments utilized in the calculation of the allowance for loan losses are disaggregated at the same level that management uses to monitor risk in the portfolio. Therefore the portfolio segments and classes of loans are the same.

Management evaluates individual loans in the commercial and commercial real estate loan segments for possible impairment if the loan is in nonaccrual status or is risk rated Substandard, Doubtful or Loss and is greater than 90 days past due. Loans are considered to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The Company does not separately evaluate individual consumer and residential real estate loans for impairment, unless such loans are part of a larger relationship that is impaired, or are classified as a troubled debt restructuring 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 June 30, 2012 and at September 30, 2011.

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 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 June 30, 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
June 30, 2012:					
Commercial real estate	$ 2,385	$ 716	$	$ 2,385	$ 2,385
Commercial	477	143		477	477
Total impaired loans	$ 2,862	$ 859	$	$ 2,862	$ 2,862
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 June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Average investment in impaired loans:				
Commercial real estate	$ 2,312	$ 1,772	$ 2,491	$ 1,513
Commercial	545	489	435	823
Total impaired loans	$ 2,857	$ 2,261	$ 2,926	$ 2,336
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.

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	Pass	Special Mention	Substandard	Doubtful	Total
June 30, 2012:					
First mortgage loans:					
One-to-four-family residential and construction	$ 142,538	$	$ 1,068	$	$ 143,606
Commercial real estate	85,726	2,734	3,424		91,884
Home equity loans and lines of credit	46,642		53	137	46,832
Commercial loans	11,595		477		12,072
Other loans	2,264		2	7	2,273
Total	$ 288,765	$ 2,734	$ 5,024	$ 144	$ 296,667
September 30, 2011:					
First mortgage loans:					
One-to-four-family residential and construction	$ 140,433	$	$ 1,436	$	$ 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	10,644		1,039		11,683
Other loans	2,389			3	2,392
Total	$ 279,873	$ 2,808	$ 6,950	$ 3	$ 289,634

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 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. At June 30, 2012 and September 30, 2011, there were no loans 90 days past due and still accruing. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of June 30, 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
June 30, 2012:					
First mortgage loans:					
One-to-four-family residential and construction	$ 140,371	$ 1,357	$ 810	$ 1,068	$ 143,606
Commercial real estate	89,006	397	96	2,385	91,884
Home equity loans and lines of credit	46,559	69	14	190	46,832
Commercial loans	11,515	80		477	12,072
Other loans	2,261	3	2	7	2,273
Total	$ 289,712	$ 1,906	$ 922	$ 4,127	$ 296,667
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.

Table of Contents

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012

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 nine months ended June 30, 2012 and 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**
Balance at September 30, 2011	$ 682	$ 3,024	$ 173	$ 452	$ 190	$ 4,521
Charge-offs	(235)	(233)	(32)	(640)	(9)	(1,149)
Recoveries		59		4	3	66
Provision	200		50	650		900
Balance at June 30, 2012	$ 647	$ 2,850	$ 191	$ 466	$ 184	$ 4,338
Balance at September 30, 2010	$ 609	$ 2,460	$ 220	$ 483	$ 217	$ 3,989
Charge-offs	(109)	(476)	(26)	(85)	(36)	(732)
Recoveries	12	31		26	12	81
Provision	397	679	28	56	40	1,200
Balance at June 30, 2011	$ 909	$ 2,694	$ 222	$ 480	$ 233	$ 4,538

Real Estate Loans

One-to-four-