



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Standard Financial Corp.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Standard Financial Corp. and subsidiaries, which comprise the consolidated statements of financial condition as of September 30, 2014 and 2013; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Standard Financial Corp. and subsidiaries as of September 30, 2014 and 2013, and the results of operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

B. R. Broekmans, P.C.

Wexford, Pennsylvania
December 16, 2014

Standard Financial Corp.
Consolidated Statements of Financial Condition
(Dollars in thousands except share and per share data)

	September 30,	
	2014	2013
ASSETS		
Cash on hand and due from banks	\$ 2,166	\$ 2,559
Interest-earning deposits in other institutions	5,646	12,432
Cash and Cash Equivalents	7,812	14,991
Certificates of deposit	1,000	1,000
Investment securities available for sale	57,945	64,052
Mortgage-backed securities available for sale	32,758	29,701
Federal Home Loan Bank stock, at cost	3,544	2,757
Loans receivable, net of allowance for loan losses of \$3,919 and \$3,875	312,126	293,664
Foreclosed real estate	476	607
Office properties and equipment, net	3,312	3,586
Bank-owned life insurance	14,145	13,722
Goodwill	8,769	8,769
Core deposit intangible	183	351
Accrued interest receivable and other assets	3,393	3,671
TOTAL ASSETS	\$ 445,463	\$ 436,871
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand, savings and club accounts	\$ 198,911	\$ 195,628
Certificate accounts	121,567	130,497
Total Deposits	320,478	326,125
Federal Home Loan Bank advances	47,272	28,892
Securities sold under agreements to repurchase	2,228	4,194
Advance deposits by borrowers for taxes and insurance	14	547
Accrued interest payable and other liabilities	2,412	2,556
TOTAL LIABILITIES	372,404	362,314
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, 2,828,670 and 3,111,297 shares outstanding	28	31
Additional paid-in-capital	20,556	25,327
Retained earnings	53,874	51,187
Unearned Employee Stock Ownership Plan (ESOP) shares	(2,337)	(2,490)
Accumulated other comprehensive income	938	502
TOTAL STOCKHOLDERS' EQUITY	73,059	74,557
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 445,463	\$ 436,871

See accompanying notes to the consolidated financial statements.

Standard Financial Corp.
Consolidated Statements of Income
(Dollars in thousands except share and per share data)

	Years Ended September 30,	
	2014	2013
Interest and Dividend Income		
Loans, including fees	\$ 12,998	\$ 13,429
Mortgage-backed securities	730	701
Investment securities:		
Taxable	586	706
Tax-exempt	937	900
Interest-earning deposits	4	5
Total Interest and Dividend Income	15,255	15,741
Interest Expense		
Deposits	3,174	3,328
Federal Home Loan Bank advances	316	492
Securities sold under agreements to repurchase	3	4
Total Interest Expense	3,493	3,824
Net Interest Income	11,762	11,917
Provision for Loan Losses	-	375
Net Interest Income after Provision for Loan Losses	11,762	11,542
Noninterest Income		
Service charges	1,754	1,762
Earnings on bank-owned life insurance	497	496
Net securities gains	97	79
Net loan sale gains	52	205
Annuity and mutual fund fees	262	194
Other income	140	66
Total Noninterest Income	2,802	2,802
Noninterest Expenses		
Compensation and employee benefits	6,380	6,210
Data processing	441	421
Premises and occupancy costs	1,190	1,158
Core deposit amortization	168	168
Automatic teller machine expense	322	313
Federal deposit insurance	209	258
Other operating expenses	1,432	1,957
Total Noninterest Expenses	10,142	10,485
Income before Income Tax Expense	4,422	3,859
Income Tax Expense		
Federal	1,094	823
State	153	154
Total Income Tax Expense	1,247	977
Net Income	\$ 3,175	\$ 2,882
Basic earnings per common share	\$ 1.20	\$ 0.97
Diluted earnings per common share	\$ 1.19	\$ 0.97
Cash dividends paid per common share	\$ 0.18	\$ 0.18
Basic weighted average shares outstanding	2,640,670	2,966,107
Diluted weighted average shares outstanding	2,664,042	2,975,372

See accompanying notes to the consolidated financial statements.

Standard Financial Corp.
Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	Years Ended September 30,	
	2014	2013
Net Income	\$ 3,175	\$ 2,882
Other comprehensive income (loss):		
Unrealized gain (loss) on securities available for sale	757	(2,289)
Tax effect	(257)	778
Reclassification adjustment for gains realized in income	(97)	(79)
Tax effect	33	27
Total other comprehensive income (loss)	436	(1,563)
Total Comprehensive Income	\$ 3,611	\$ 1,319

See accompanying notes to the consolidated financial statements.

Standard Financial Corp.
Consolidated Statement of Changes in Stockholders' Equity
(Dollars in thousands except share and per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, September 30, 2012	\$ 35	\$ 31,839	\$ 48,822	\$ (2,644)	\$ 2,065	\$ 80,117
Net income	-	-	2,882	-	-	2,882
Other comprehensive loss	-	-	-	-	(1,563)	(1,563)
Stock repurchases (369,276 shares)	(4)	(7,100)	-	-	-	(7,104)
Cash dividends (\$0.18 per share)	-	-	(517)	-	-	(517)
Excess tax benefits from stock based compensation	-	22	-	-	-	22
Compensation expense on stock awards	-	452	-	-	-	452
Compensation expense on ESOP	-	114	-	154	-	268
Balance, September 30, 2013	31	25,327	51,187	(2,490)	502	74,557
Net income	-	-	3,175	-	-	3,175
Other comprehensive income	-	-	-	-	436	436
Stock repurchases (282,627 shares)	(3)	(5,368)	-	-	-	(5,371)
Cash dividends (\$0.18 per share)	-	-	(488)	-	-	(488)
Excess tax benefits from stock based compensation	-	22	-	-	-	22
Compensation expense on stock awards	-	452	-	-	-	452
Compensation expense on ESOP	-	123	-	153	-	276
Balance, September 30, 2014	\$ <u>28</u>	\$ <u>20,556</u>	\$ <u>53,874</u>	\$ <u>(2,337)</u>	\$ <u>938</u>	\$ <u>73,059</u>

See accompanying notes to the consolidated financial statements.

Standard Financial Corp.
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Years Ended September 30,	
	2014	2013
Cash Flows from Operating Activities		
Net income	\$ 3,175	\$ 2,882
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	907	875
Provision for loan losses	-	375
Net gain on securities	(97)	(79)
Origination of loans held for sale	(2,870)	(7,358)
Proceeds from sale of loans held for sale	2,922	8,468
Net loan sale gains	(52)	(205)
Compensation expense on ESOP	276	268
Compensation expense on stock awards	452	452
Deferred income taxes	(3)	241
Decrease (increase) in accrued interest receivable and other assets	57	(283)
Decrease in prepaid Federal deposit insurance	-	584
Earnings on bank-owned life insurance	(497)	(496)
(Decrease) increase in accrued interest payable and other liabilities	(144)	256
Excess tax benefits from stock based compensation	(22)	(22)
Other, net	(53)	1
Net Cash Provided by Operating Activities	4,051	5,959
Cash Flows from Investing Activities		
Net increase in loans receivable	(19,477)	(4,152)
Purchases of certificates of deposit	-	(1,000)
Purchases of investment securities	(2,094)	(15,309)
Purchases of mortgage-backed securities	(12,434)	(2,992)
Proceeds from maturities/principal repayments/calls of investment securities	8,537	12,228
Proceeds from maturities/principal repayments/calls of mortgage-backed securities	6,686	12,074
Proceeds from sales of investment securities	258	265
Proceeds from sales of mortgage-backed securities	2,535	-
Purchase of Federal Home Loan Bank stock	(842)	(760)
Redemption of Federal Home Loan Bank stock	55	686
Purchases of bank-owned life insurance	-	(3,000)
Proceeds from sales of foreclosed real estate	1,294	1,160
Purchases of office properties and equipment	(145)	(86)
Net Cash Used in Investing Activities	(15,627)	(886)
Cash Flows from Financing Activities		
Net increase in demand, savings and club accounts	3,283	3,362
Net decrease in certificate accounts	(8,930)	(7,536)
Net (decrease) increase in securities sold under agreements to repurchase	(1,966)	962
Repayments of Federal Home Loan Bank advances	(14,539)	(12,925)
Proceeds from new Federal Home Loan Bank advances	32,919	14,968
Decrease in advance deposits by borrowers for taxes and insurance	(533)	(88)
Excess tax benefits from stock based compensation	22	22
Dividends paid	(488)	(517)
Stock repurchases	(5,371)	(7,104)
Net Cash Provided by (Used in) Financing Activities	4,397	(8,856)
Net Decrease in Cash and Cash Equivalents	(7,179)	(3,783)
Cash and Cash Equivalents - Beginning	14,991	18,774
Cash and Cash Equivalents - Ending	\$ 7,812	\$ 14,991
Supplementary Cash Flows Information		
Interest paid	\$ 3,510	\$ 3,865
Income taxes paid	\$ 1,202	\$ 917
Supplementary Schedule of Noncash Investing and Financing Activities		
Foreclosed real estate acquired in settlement of loans	\$ 1,015	\$ 1,226

See accompanying notes to the consolidated financial statements.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 1 – Summary of Significant Accounting Policies

The following comprise the significant accounting policies which Standard Financial Corp. and subsidiaries (the “Company”) follow in preparing and presenting their consolidated financial statements:

Principles of 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. Standard Financial Corp. owns all of the outstanding shares of common stock of the Bank.

Nature of Operations

The Company’s primary asset is the stock of its wholly owned subsidiary, the Bank, a Pennsylvania-chartered state savings bank with deposits insured by the Federal Deposit Insurance Corporation (“FDIC”). The Bank is a retail-oriented financial institution, which offers traditional deposit and loan products through its nine offices in Allegheny, Westmoreland, and Bedford Counties of Pennsylvania and Northern Allegany County of Maryland. Westmoreland Investment Company is a Delaware subsidiary, holding residential mortgage loans as the majority of its assets.

Financial Statements

The accompanying consolidated financial statements have been prepared on a September 30 fiscal-year basis. For regulatory and income tax reporting purposes, the Company reports on a December 31 calendar-year basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Statements of Financial Condition and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, valuation of deferred taxes, fair value of investments and mortgage-backed securities available for sale, and the valuation of intangible assets.

Significant Group Concentrations of Credit Risk

Most of the Bank’s activities are with customers located within Allegheny, Westmoreland, and Bedford Counties of Pennsylvania and Allegany County of Maryland. Notes 2 and 3 discuss the types of securities in which the Company invests. Note 4 details the types of lending in which the Company engages. The Company does not have any significant concentrations in any one industry or customer.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks, and interest-earning deposits in other institutions with original maturities of less than 90 days.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Investment and Mortgage-Backed Securities

The Company accounts for investment and mortgage-backed securities by classifying them into three categories: securities held to maturity; securities available for sale; and trading securities.

Securities held to maturity are carried at cost adjusted for amortization of premium and accretion of discount over the term of the related investments using the interest method.

Securities available for sale are carried at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income as a part of stockholders' equity. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating the other-than-temporary impairment losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, and the intent to sell the security or whether it's more likely than not that the Company would be required to sell the security before its anticipated recovery in market value. Realized gains and losses determined on the basis of the cost of the specific securities sold are reported in earnings.

Securities bought and held principally for the purpose of selling them in the near term are classified as trading and are reported at fair value, with unrealized gains and losses included in earnings.

Federal Home Loan Bank Stock

Federal law requires a member institution of the Federal Home Loan Bank system to hold stock of its district Federal Home Loan Bank according to a predetermined formula. The restricted stock is carried at cost and classified separately on the statement of financial condition.

The Bank is a member of the Federal Home Loan Bank of Pittsburgh ("FHLB") and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its \$100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost, and evaluated for impairment as needed. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB. There was no impairment of the FHLB stock at September 30, 2014 or 2013.

Loans Receivable

Loans are stated at their unpaid principal balances net of deferred origination fees less the allowance for loan losses. Monthly payments are scheduled to include interest. Interest on loans is credited to income as earned. Interest earned on loans for which no payments were received during the month is accrued. An allowance is established for accrued interest deemed to be uncollectible, generally when a loan is 90 days or more delinquent. Such interest ultimately collected is credited to income in the period received. Amortization of premiums and accretion of discounts are recognized over the term of the loan as an adjustment to the loan's yield using the interest method and cease when a loan becomes nonperforming. Loan origination fees, net of certain direct origination costs, are deferred and recognized over the contractual life of the related loan as a yield adjustment.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of the underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective, since it required estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors.

Impaired loans are commercial and commercial real estate loans for which it is probable that we will not be able to collect all amounts due according to the contractual terms of the loan agreement. We individually evaluate such loans for impairment rather than aggregate loans by major risk classifications. The definition of impaired loans is not the same as the definition of non-accrual loans, although the two categories overlap. Factors considered in determining impairment include payment status and collateral value. The amount of impairment for these types of impaired loans is determined by the difference between the present value of the expected cash flows related to the loan, using current interest rates, and its recorded value. In the case of collateralized loans, the impairment is the difference between the fair value of the collateral and the recorded amount of the loan. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

Mortgage loans on one- to four-family properties, home equity loans and lines of credit and consumer loans are large groups of smaller balance homogeneous loans and are measured for impairment collectively. Loans that experience insignificant payment delays, which are defined as less than 90 days, generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all circumstances surrounding the loan and the borrower including the length of the delay, the borrower's prior payment record and the amount of shortfall in relation to the principal and interest owed.

Mortgage Loans Held for Sale and Mortgage Loan Servicing

Mortgage loans held for sale are valued at the lower of cost or fair value as determined by current investor yield requirements calculated on an aggregate basis. The Company acquires mortgage servicing rights through the origination and sale of mortgage loans. These rights are recognized as separate assets by allocating the total costs of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values when the respective loans are sold.

The Company measures the impairment of the mortgage servicing rights based on their current fair value, estimated using discounted cash flows and prepayment assumptions. For purposes of measuring impairment, servicing rights are stratified by interest rates. If the carrying value of an individual stratum exceeds its fair value, a valuation allowance is established. No impairment reserves were deemed necessary as of September 30, 2014 and 2013.

Foreclosed Real Estate

Foreclosed real estate consists of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. Foreclosed real estate is initially recorded at fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value minus estimated costs to sell. Revenues and expenses from operations and changes in the valuation allowance are included in earnings.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Office Properties and Equipment

Office properties and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Estimated lives are 40 to 50 years for buildings and 3 to 10 years for furniture and equipment. Amortization of leasehold improvements is computed on the straight-line method over the shorter of the estimated useful life or term of the related lease.

Bank-Owned Life Insurance

The Company owns insurance on the lives of certain key employees. The policies were purchased to help offset the cost of increases in various fringe benefit plans, including healthcare. The cash surrender value of these policies is shown on the Consolidated Statements of Financial Condition, and any increases in the cash surrender value are recorded as noninterest income on the Consolidated Statements of Income, net of administrative expenses. In the event of the death of an insured individual under these policies, the Company would receive a death benefit.

Goodwill and Core Deposit Intangible

Goodwill represents the excess of the purchase price over the cost of net assets purchased. Goodwill is not amortized, but is evaluated for impairment. At least annually, management reviews goodwill and evaluates events or changes in circumstances that may indicate impairment in the carrying amount of goodwill. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the net assets, an impairment loss will be recognized. Impairment, if any, is measured on a discounted future cash flow basis. For September 30, 2014 and 2013, no impairment existed; however, for any future period the Company determines that there has been impairment in the carrying value of goodwill, the Company would record a charge to earnings, which could have a material adverse effect on net income.

The Company has core deposit intangible assets relating to a 2006 acquisition. These intangible assets are amortized on a straight-line basis over a ten year period and also continue to be subject to impairment testing. The balance of core deposit intangibles at September 30, 2014 and 2013 was \$183,000 and \$351,000, respectively, net of accumulated amortization of \$1.9 million at September 30, 2014 and \$1.7 million at September 30, 2013. Amortization expense of \$168,000 was recorded in each of the years ended September 30, 2014 and 2013. Amortization expense is estimated to be \$168,000 in 2015 and \$15,000 in 2016.

Income Taxes

Deferred taxes are provided on the liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Off-Balance Sheet Financial Instrument

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the Consolidated Statements of Financial Condition when they are funded.

Advertising Expense

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended September 30, 2014 and 2013 totaled \$106,000 and \$115,000, respectively, which is included in other operating expenses in the Consolidated Statements of Income.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Earnings per Share

Basic earnings per share (“EPS”) is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The following table sets forth the computation of basic and diluted EPS for the years ended September 30, 2014 and 2013 (dollars in thousands except per share data):

	2014	2013
Net income available to common stockholders	\$ 3,175	\$ 2,882
Basic EPS:		
Weighted average shares outstanding	<u>2,640,670</u>	<u>2,966,107</u>
Basic EPS	\$ 1.20	\$ 0.97
Diluted EPS:		
Weighted average shares outstanding	2,640,670	2,966,107
Diluted effect of common stock equivalents	<u>23,372</u>	<u>9,265</u>
Total diluted weighted average shares outstanding	<u>2,664,042</u>	<u>2,975,372</u>
Diluted EPS	\$ 1.19	\$ 0.97

Options to purchase 278,075 shares of common stock with an exercise price of \$16.50 were outstanding as of September 30, 2014. Also, there were no anti-dilutive options as of September 30, 2014 and September 30, 2013.

As of September 30, 2014 and 2013, there were 63,070 and 85,330 shares of restricted stock outstanding, respectively, with a grant price of \$16.50 not included in the computation of diluted earnings per common share because to do so would be anti-dilutive.

Reclassifications

Certain comparative amounts for the prior year have been reclassified to conform to current-year classifications. Such reclassifications had no effect on net income or stockholders’ equity.

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 2 – Investment Securities**

Investment securities available for sale at September 30, 2014 and 2013 are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2014:				
U.S. government and agency obligations due:				
1 year or less	\$ 1,000	\$ 2	\$ -	\$ 1,002
Beyond 1 year but within 5 years	5,000	-	(90)	4,910
Beyond 5 years but within 10 years	9,000	-	(308)	8,692
Corporate bonds due:				
1 year or less	6,000	18	(9)	6,009
Beyond 1 year but within 5 years	1,000	32	-	1,032
Municipal obligations due:				
Beyond 1 year but within 5 years	6,565	170	-	6,735
Beyond 5 years but within 10 years	25,680	1,036	(27)	26,689
Beyond 10 years	672	5	-	677
Equity securities	2,017	221	(39)	2,199
	<u>\$ 56,934</u>	<u>\$ 1,484</u>	<u>\$ (473)</u>	<u>\$ 57,945</u>
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
	Cost	Gains	Losses	Value
September 30, 2013:				
U.S. government and agency obligations due:				
Beyond 1 year but within 5 years	\$ 10,997	\$ 26	\$ (47)	\$ 10,976
Beyond 5 years but within 10 years	12,000	-	(618)	11,382
Corporate bonds due:				
Beyond 1 year but within 5 years	7,000	54	(7)	7,047
Municipal obligations due:				
Beyond 1 year but within 5 years	4,932	152	-	5,084
Beyond 5 years but within 10 years	25,498	940	(134)	26,304
Beyond 10 years	1,708	-	(44)	1,664
Equity securities	1,468	145	(18)	1,595
	<u>\$ 63,603</u>	<u>\$ 1,317</u>	<u>\$ (868)</u>	<u>\$ 64,052</u>

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 2 – Investment Securities (Continued)**

The following table shows the fair value and gross unrealized losses on investment securities and the length of time that the securities have been in a continuous unrealized loss position at September 30, 2014 and 2013 (dollars in thousands):

	September 30, 2014					
	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	\$ -	\$ -	\$ 13,602	\$ (398)	\$ 13,602	\$ (398)
Corporate bonds	1,991	(9)	-	-	1,991	(9)
Municipal obligations	-	-	1,539	(27)	1,539	(27)
Equity securities	346	(29)	747	(10)	1,093	(39)
Total	\$ 2,337	\$ (38)	\$ 15,888	\$ (435)	\$ 18,225	\$ (473)

	September 30, 2013					
	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	\$ 17,335	\$ (665)	\$ -	\$ -	\$ 17,335	\$ (665)
Corporate bonds	-	-	1,993	(7)	1,993	(7)
Municipal obligations	5,164	(178)	-	-	5,164	(178)
Equity securities	904	(17)	6	(1)	910	(18)
Total	\$ 23,403	\$ (860)	\$ 1,999	\$ (8)	\$ 25,402	\$ (868)

At September 30, 2014, the Company held 35 securities in an unrealized loss position. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. The Company does not intend to sell these securities nor is it more likely than not that the Company would be required to sell these securities before their anticipated recovery and the Company believes the collection of the investment and related interest is probable. Based on this, the Company considers all of the unrealized losses to be temporary impairment losses.

For the year ended September 30, 2014, gains on sales of investment securities totaled \$71,000 with no losses and total proceeds from sales of \$258,000. For the year ended September 30, 2013, gains on sales of investment securities totaled \$85,000 and losses totaled \$6,000 with total proceeds from sales of \$265,000. At September 30, 2014, and 2013, no securities were held in the trading portfolio. Investment securities with a carrying value of \$12.0 million and \$7.4 million were pledged to secure repurchase agreements and public funds accounts at September 30, 2014 and 2013, respectively.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 3 – Mortgage-Backed Securities

Mortgage-backed securities available for sale of September 30, 2014 and 2013 are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2014:				
Government pass-throughs:				
Ginnie Mae	\$ 7,432	\$ 59	\$ (13)	\$ 7,478
Fannie Mae	17,816	320	-	18,136
Freddie Mac	4,460	89	(2)	4,547
Private pass-throughs	105	-	(1)	104
Collateralized mortgage obligations	2,535	3	(45)	2,493
	<u>\$ 32,348</u>	<u>\$ 471</u>	<u>\$ (61)</u>	<u>\$ 32,758</u>
September 30, 2013:				
Government pass-throughs:				
Ginnie Mae	\$ 10,443	\$ 66	\$ (5)	\$ 10,504
Fannie Mae	14,047	273	(44)	14,276
Freddie Mac	1,914	115	-	2,029
Private pass-throughs	114	-	(1)	113
Collateralized mortgage obligations	2,871	4	(96)	2,779
	<u>\$ 29,389</u>	<u>\$ 458</u>	<u>\$ (146)</u>	<u>\$ 29,701</u>

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 September 30, 2014 and 2013 (dollars in thousands)

	September 30, 2014					
	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	\$ 2,065	\$ (13)	\$ -	\$ -	\$ 2,065	\$ (13)
Freddie Mac	2,228	(2)	-	-	2,228	(2)
Private pass-throughs	-	-	104	(1)	104	(1)
Collateralized mortgage obligations	-	-	2,350	(45)	2,350	(45)
Total	<u>\$ 4,293</u>	<u>\$ (15)</u>	<u>\$ 2,454</u>	<u>\$ (46)</u>	<u>\$ 6,747</u>	<u>\$ (61)</u>
	September 30, 2013					
	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	\$ 2,707	\$ (5)	\$ -	\$ -	\$ 2,707	\$ (5)
Fannie Mae	3,902	(44)	-	-	3,902	(44)
Private pass-throughs	113	(1)	-	-	113	(1)
Collateralized mortgage obligations	2,589	(96)	-	-	2,589	(96)
Total	<u>\$ 9,311</u>	<u>\$ (146)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,311</u>	<u>\$ (146)</u>

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 3 – Mortgage-Backed Securities (Continued)

At September 30, 2014, the Company held 5 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 their anticipated recovery and the Company believes the collection of the investment and related interest is probable. Based on this, the Company considers all of the unrealized losses to be temporary impairment losses.

For the year ended September 30, 2014, gains on sales of mortgage-backed securities totaled \$26,000 with total proceeds from sales of \$2.5 million. During 2013, there were no sales of mortgage-backed securities. Mortgage-backed securities with a carrying value of \$8.7 million and \$11.3 million were pledged to secure repurchase agreements and public funds accounts at September 30, 2014 and 2013, respectively.

Note 4 – Loans Receivable

Loans receivable at September 30, 2014 and 2013 and the method the Company uses to evaluate these loans within their allowance for loan losses are summarized as follows (dollars in thousands):

	Real Estate Loans					Total
	One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial	Other Loans	
September 30, 2014:						
Collectively evaluated for impairment	\$ 125,138	\$ 101,864	\$ 74,414	\$ 12,717	\$ 1,313	\$ 315,446
Individually evaluated for impairment	-	33	-	566	-	599
Total loans before allowance for loan losses	<u>\$ 125,138</u>	<u>\$ 101,897</u>	<u>\$ 74,414</u>	<u>\$ 13,283</u>	<u>\$ 1,313</u>	<u>\$ 316,045</u>
September 30, 2013:						
Collectively evaluated for impairment	\$ 126,956	\$ 94,606	\$ 61,587	\$ 11,499	\$ 1,686	\$ 296,334
Individually evaluated for impairment	-	1,165	-	40	-	1,205
Total loans before allowance for loan losses	<u>\$ 126,956</u>	<u>\$ 95,771</u>	<u>\$ 61,587</u>	<u>\$ 11,539</u>	<u>\$ 1,686</u>	<u>\$ 297,539</u>

Total loans at September 30, 2014 and 2013 were net of deferred loan fees of \$93,000 and \$179,000, respectively. The Company's primary business activity is with customers located within its local trade area. Although the Company has a diversified loan portfolio at September 30, 2014 and 2013, loans outstanding to individual and businesses are dependent upon the local economic conditions in its immediate trade area.

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 and are typically not collateralized by real estate. Other loans consist of automobile loans, consumer loans and loans secured by savings accounts. The portfolio segments utilized in the calculation of the

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 4 – Loans Receivable (Continued)

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

Consistent with accounting and regulatory guidance, the Company recognizes a TDR when the Bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that would not normally be considered. Regardless of the form of concession granted, the Company's objective in offering a TDR is to increase the probability of repayment of the borrower's loan. The Company did not modify any loans as TDRs during years ended September 30, 2014 or 2013 nor did it have any TDRs within the preceding year where a concession had been made that then defaulted during 2014 or 2013.

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 September 30, 2014 and 2013 (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
September 30, 2014:					
Commercial real estate	\$ -	\$ -	\$ 33	\$ 33	\$ 33
Commercial	-	-	566	566	566
Total impaired loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 599</u>	<u>\$ 599</u>	<u>\$ 599</u>
September 30, 2013:					
Commercial real estate	\$ 1,165	\$ 175	\$ -	\$ 1,165	\$ 1,165
Commercial	40	6	-	40	40
Total impaired loans	<u>\$ 1,205</u>	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ 1,205</u>	<u>\$ 1,205</u>

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 4 – Loans Receivable (Continued)

The following table presents the average recorded investment in impaired loans and related interest income recognized for the years ended September 30, 2014 and 2013 (dollars in thousands):

	2014	2013
Average investment in impaired loans:		
Commercial real estate	\$ 444	\$ 2,016
Commercial	<u>132</u>	<u>134</u>
Total impaired loans	<u>\$ 576</u>	<u>\$ 2,150</u>
Interest income recognized on impaired loans:		
Accrual basis	\$ 1	\$ 12

Interest income forgone on non-accrual loans was \$23,000 and \$92,000 for the years ended September 30, 2014 and 2013, respectively.

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, residential real estate loans, home equity loans, and lines of credit are included in the pass category unless a specific action, such as delinquency greater than 90 days, bankruptcy, repossession, or death occurs to raise awareness of a possible credit event. The Bank's commercial loan officers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. An annual loan review is performed for all commercial real estate and commercial loans for all commercial relationships greater than \$500,000. The Bank engages an external consultant to conduct loan reviews on at least an annual basis. Generally, the external consultant reviews commercial relationships greater than \$500,000 and all criticized relationships. Loans in the special mention, substandard or doubtful categories that are collectively evaluated for impairment are given separate consideration in the determination of the loan loss allowance.

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

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 4 – Loans Receivable (Continued)**

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 September 30, 2014 and 2013 (dollars in thousands):

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
September 30, 2014:					
First mortgage loans:					
One-to-four-family residential and construction	\$ 124,602	\$ -	\$ 536	\$ -	\$ 125,138
Commercial real estate	101,093	-	804	-	101,897
Home equity loans and lines of credit	74,364	-	50	-	74,414
Commercial loans	12,717	-	566	-	13,283
Other loans	1,309	-	4	-	1,313
Total	<u>\$ 314,085</u>	<u>\$ -</u>	<u>\$ 1,960</u>	<u>\$ -</u>	<u>\$ 316,045</u>
September 30, 2013:					
First mortgage loans:					
One-to-four-family residential and construction	\$ 126,374	\$ -	\$ 582	\$ -	\$ 126,956
Commercial real estate	93,683	-	2,088	-	95,771
Home equity loans and lines of credit	61,363	-	224	-	61,587
Commercial loans	10,229	1,270	40	-	11,539
Other loans	1,681	-	5	-	1,686
Total	<u>\$ 293,330</u>	<u>\$ 1,270</u>	<u>\$ 2,939</u>	<u>\$ -</u>	<u>\$ 297,539</u>

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 4 – Loans Receivable (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 September 30, 2014 and 2013, there were no loans on non-accrual that were less than 90 days 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 September 30, 2014 and 2013 (dollars in thousands):

	<u>Current</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Non-Accrual (90 Days+)</u>	<u>90 Days Past Due & Accruing</u>	<u>Total Loans</u>
September 30, 2014:						
First mortgage loans:						
One-to-four-family residential and construction	\$ 123,254	\$ 855	\$ 493	\$ 536	\$ -	\$ 125,138
Commercial real estate	101,252	257	355	33	-	101,897
Home equity loans and lines of credit	74,148	125	91	50	-	74,414
Commercial loans	12,714	484	85	-	-	13,283
Other loans	1,283	22	8	-	-	1,313
Total	<u>\$ 312,651</u>	<u>\$ 1,743</u>	<u>\$ 1,032</u>	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 316,045</u>
September 30, 2013:						
First mortgage loans:						
One-to-four-family residential and construction	\$ 124,249	\$ 1,658	\$ 467	\$ 582	\$ -	\$ 126,956
Commercial real estate	93,534	1,072	-	1,165	-	95,771
Home equity loans and lines of credit	60,998	284	81	224	-	61,587
Commercial loans	11,354	141	4	40	-	11,539
Other loans	1,670	11	5	-	-	1,686
Total	<u>\$ 291,805</u>	<u>\$ 3,166</u>	<u>\$ 557</u>	<u>\$ 2,011</u>	<u>\$ -</u>	<u>\$ 297,539</u>

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. Management uses the Bank’s historical loss amounts and has made reclassifications in the ALL between loan segments. The historical net charge-off activity for the loan segments are adjusted for other 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.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 4 – Loans Receivable (Continued)

The following table summarizes 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 as of September 30, 2014 and 2013, as well as the activity in the ALL for years ended September 30, 2014 and 2013 (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, 2013	\$ 1,185	\$ 1,764	\$ 457	\$ 421	\$ 48	\$ 3,875
Charge-offs	(76)	-	(43)	(191)	(29)	(339)
Recoveries	1	6	4	365	7	383
Provision	-	-	-	-	-	-
Balance at September 30, 2014	<u>\$ 1,110</u>	<u>\$ 1,770</u>	<u>\$ 418</u>	<u>\$ 595</u>	<u>\$ 26</u>	<u>\$ 3,919</u>
Evaluated for Impairment:						
Individually	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively	\$ 1,110	\$ 1,770	\$ 418	\$ 595	\$ 26	\$ 3,919
Balance at September 30, 2012	\$ 826	\$ 2,846	\$ 173	\$ 454	\$ 175	\$ 4,474
Charge-offs	(342)	(299)	(154)	(442)	(29)	(1,266)
Recoveries	16	230	5	29	12	292
Provision	685	(1,013)	433	380	(110)	375
Balance at September 30, 2013	<u>\$ 1,185</u>	<u>\$ 1,764</u>	<u>\$ 457</u>	<u>\$ 421</u>	<u>\$ 48</u>	<u>\$ 3,875</u>
Evaluated for Impairment:						
Individually	\$ -	\$ 175	\$ -	\$ 6	\$ -	\$ 181
Collectively	\$ 1,185	\$ 1,589	\$ 457	\$ 415	\$ 48	\$ 3,694

A large impaired loan with a specific reserve was resolved during the year ended September 30, 2013 combined with a decrease in loans classified as special mention which resulted in a decrease in the required reserves for commercial real estate loans. With this improvement in the credit quality in commercial real estate loans and other loan portfolios, the provision was reallocated between the various loan categories. The home equity loans and lines of credit portfolio, in addition to the noted improvement in credit quality, has also seen a decrease in historical loss ratios, which resulted in a decrease in the ALLL for this segment of the portfolio. 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.

Loans serviced for others were \$24.6 million and \$24.4 million, at September 30, 2014 and 2013, respectively. These loans serviced for others are not assets of the Company and are appropriately excluded from the Company's consolidated financial statements. Mortgage servicing rights were \$132,000 and \$125,000 at September 30, 2014 and 2013, respectively, and are included on the Consolidated Statements of Financial Condition in other assets. Mortgage servicing rights are recorded by allocating the total cost of acquired mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values. Mortgage servicing rights are deferred and amortized in proportion to and over the period of estimated net service fee income. The estimated fair value of mortgage servicing rights was \$275,000 and \$236,000, at September 30, 2014 and 2013, respectively, based on the present value of expected, future cash flows using a market discount rate. The Company periodically evaluates its mortgage servicing rights for impairment based on the fair value of those rights. Impairment, if any, would be recognized through a valuation allowance for each loan portfolio stratum for the recorded amount that exceeds fair value. Strata are defined based on predominant risk characteristics of the underlying loans such as loan type and within type, by loan rate intervals. No impairment reserves were deemed necessary as of September 30, 2014 and 2013.

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 5 – Office Properties and Equipment**

Office properties and equipment at September 30, 2014 and 2013 are summarized by major classifications as follows (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Land	\$ 1,104	\$ 1,104
Office buildings and improvements	5,535	5,638
Furniture, fixtures, and equipment	<u>1,921</u>	<u>1,940</u>
Total, at Cost	8,560	8,682
Accumulated depreciation and amortization	<u>(5,248)</u>	<u>(5,096)</u>
	<u>\$ 3,312</u>	<u>\$ 3,586</u>

Depreciation and amortization expense was \$314,000 and \$340,000 for the years ended September 30, 2014 and 2013, respectively. Rent expense was \$125,000 and \$126,000 for the years ended September 30, 2014 and 2013, respectively. Future minimum lease payments under rental agreements are \$89,000 in 2015 and \$50,000 in 2016.

Note 6 – Deposits

Deposit balances at September 30, 2014 and 2013 are summarized as follows (dollars in thousands):

	<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Savings accounts	\$ 106,450	33.2 %	\$ 107,611	33.0 %
Demand and NOW accounts, including non-interest bearing deposits of \$26,252 in 2014 and \$25,690 in 2013	83,218	26.0	79,359	24.3
Money market accounts	<u>9,243</u>	<u>2.9</u>	<u>8,658</u>	<u>2.7</u>
	198,911	62.1	195,628	60.0
Certificates of deposit:				
0.00 to 1.99%	66,934	20.9	69,385	21.3
2.00 to 3.99%	33,366	10.4	39,783	12.2
4.00 to 5.99%	<u>21,267</u>	<u>6.6</u>	<u>21,329</u>	<u>6.5</u>
	<u>121,567</u>	<u>37.9</u>	<u>130,497</u>	<u>40.0</u>
	<u>\$ 320,478</u>	<u>100.0 %</u>	<u>\$ 326,125</u>	<u>100.0 %</u>

A summary of certificate accounts by maturity at September 30, 2014, is as follows (dollars in thousands):

	<u>2014</u>
One year or less	\$ 50,824
One to two years	18,271
Two to three years	9,308
Three to four years	7,933
Four to five years	4,666
After five years	<u>30,565</u>
	<u>\$ 121,567</u>

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 6 – Deposits (Continued)**

Interest expense by deposit category for the years ended September 30, 2014 and 2013, is as follows (dollars in thousands):

	<u>2014</u>	<u>2013</u>
NOW accounts	\$ 75	\$ 62
Money market accounts	8	10
Savings and club accounts	208	177
Certificates accounts	<u>2,883</u>	<u>3,079</u>
	<u>\$ 3,174</u>	<u>\$ 3,328</u>

The aggregate amount of time certificates of deposit including Individual Retirement Accounts with a minimum denomination of \$100,000 at September 30, 2014 and 2013 is \$40.2 million and \$43.0 million, respectively.

Note 7 – Federal Home Loan Bank Advances

Advances from the FHLB of Pittsburgh are collateralized by certain qualifying collateral such as loans, with weighted-average collateral values determined by the FHLB equal to at least the unpaid amount of outstanding advances. At September 30, 2014 and 2013, advances from the FHLB consisted of the following (dollars in thousands):

<u>Stated Maturity</u>	<u>Rate</u>	<u>2014</u>	<u>2013</u>
1/21/2014	2.31 %	-	\$ 4,990
6/20/2014	1.05	-	1,000
8/14/2014	0.19	-	2,000
11/25/2014	0.31	3,000	-
1/26/2015	1.86	2,413	2,413
2/18/2015	0.34	2,000	-
3/27/2015	0.44	2,500	2,500
6/22/2015	1.52	1,339	1,339
7/31/2015	0.55	3,000	3,000
8/14/2015	0.43	2,591	2,591
10/5/2015	6.51	100	180
2/29/2016	0.84	4,002	4,002
3/28/2016	0.62	2,500	2,500
8/8/2016	0.60	2,762	-
3/20/2017	0.68	2,377	2,377
7/17/2017	0.66	2,844	-
8/25/2017	1.23	4,000	-
6/11/2018	0.92	5,540	-
1/22/2019	1.25	<u>6,304</u>	<u>-</u>
		<u>\$ 47,272</u>	<u>\$ 28,892</u>

Contractual maturities of FHLB advances at September 30, 2014, were as follows (dollars in thousands):

	<u>2014</u>
One year or less	\$ 20,809
One to two years	13,198
Two to three years	10,165
Three to five years	<u>3,100</u>
	<u>\$ 47,272</u>

The maximum borrowing capacity from the FHLB at September 30, 2014 is \$170 million.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 8 – Securities Sold Under Agreement to Repurchase

Short-term borrowings consist of borrowings from securities sold under agreements to repurchase. Average amounts outstanding during the year represent daily average balances, and average interest rates represent interest expense divided by the related average balance.

The outstanding balances and related information for short-term borrowings at or for the year ended September 30, 2014 and 2013 are summarized as follows (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Balance at year end	\$ 2,228	\$ 4,194
Average balance outstanding during the year	2,887	3,436
Maximum amount outstanding at any month-end	4,050	4,533
Weighted average interest rate at year end	0.10 %	0.11 %
Average interest rate during the year	0.10	0.12

Note 9 – Income Taxes

Total income tax expense for the years ended September 30, 2014 and 2013 is as follows (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Federal:		
Current	\$ 1,097	\$ 582
Deferred	<u>(3)</u>	<u>241</u>
	<u>\$ 1,094</u>	<u>\$ 823</u>
State, current	<u>\$ 153</u>	<u>\$ 154</u>

The difference between the expected and actual tax provision expressed as percentage of earnings before income tax provision are as follows:

	<u>2014</u>		<u>2013</u>	
Expected federal tax rate	34.0	%	34.0	%
State taxes, net of federal tax benefit	2.3		2.6	
Nontaxable interest income	(6.5)		(8.1)	
Bank-owned life insurance	(3.3)		(3.9)	
Other items, net	<u>1.7</u>		<u>0.7</u>	
Effective Tax Rate	<u>28.2</u>	%	<u>25.3</u>	%

The Bank is subject to the Pennsylvania and Maryland Thrift Institutions tax which is allocated between the states and calculated at 11.5% and 8.25%, respectively, based on taxable income applicable to the individual states.

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 9 – Income Taxes (Continued)**

The net deferred tax asset consisted of the following components as of September 30, 2014 and 2013 (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Deferred Tax Assets:		
Allowance for loan losses	\$ 1,333	\$ 1,317
Employee benefits	589	566
Impairment reserves	51	54
Charitable donations	9	19
Other, net	4	100
	<u>1,986</u>	<u>2,056</u>
Total Deferred Tax Assets	<u>1,986</u>	<u>2,056</u>
Deferred Tax Liabilities:		
Unrealized gain on securities	(483)	(258)
Premises and equipment	(43)	(144)
Purchase accounting	(38)	(87)
Other, net	(119)	(42)
	<u>(683)</u>	<u>(531)</u>
Total Deferred Tax Liabilities	<u>(683)</u>	<u>(531)</u>
Net Deferred Tax Assets	<u>\$ 1,303</u>	<u>\$ 1,525</u>

U.S. generally accepted accounting principles prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statements of Income. The Bank's federal and Pennsylvania and Maryland state tax returns for taxable years through 2010 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania and Maryland taxing authorities. During 2012, The Internal Revenue Service conducted an examination of the Company's 2010 federal tax return with no changes to the tax return as filed and therefore that year has been closed by the Internal Revenue Service.

Retained income at September 30, 2014, includes \$3.9 million of base year reserves for which no tax provision has been made. This amount represents deductions for bad debt reserves for tax purposes, which were only allowed to savings institutions that met certain definitional tests prescribed by the Internal Revenue Code of 1986, as amended. The Small business Job Protection Act of 1996 eliminated the special bad debt deduction granted solely to thrifts. Under the terms of the Act, there would be no recapture of the pre-1988 (base year) reserves. However, these pre-1998 reserves would be subject to recapture under the rules of the Internal Revenue Code if the Bank itself pays a cash dividend in excess of earnings and profits, or liquidates. The Act also provides for the recapture of deductions arising from "applicable excess reserve" defined as the total amount of reserve over the period base year reserve. The Bank's total reserve exceeds the base year reserve and deferred taxes have been provided for this excess.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 10 – Regulatory Capital Requirements

The Company is required to maintain a cash reserve balance in vault cash or with the Federal Reserve Bank. The total of this reserve was \$1.7 million at September 30, 2014 and \$1.8 million at September 30, 2013.

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The Company's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the following table) of total Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). As of September 30, 2014, management believes that the Company meets all capital adequacy requirements of which it is subject.

As of September 30, 2014 and 2013, the FDIC categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Company's category.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 10 – Regulatory Capital Requirements (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2014:						
<u>Total Capital (To Risk Weighted Assets)</u>						
Consolidated	\$ 66,851	23.27 %	\$ 22,981	8.00 %	\$ 28,727	10.00 %
Standard Bank	64,757	22.66	22,861	8.00	28,577	10.00
<u>Tier 1 Capital (To Risk Weighted Assets)</u>						
Consolidated	63,169	21.99	11,491	4.00	17,236	6.00
Standard Bank	61,180	21.41	11,431	4.00	17,146	6.00
<u>Tier 1 Capital (To Average Assets)</u>						
Consolidated	63,169	14.60	17,311	4.00	21,639	6.00
Standard Bank	61,180	14.21	17,219	4.00	21,524	5.00
September 30, 2013:						
<u>Total Capital (To Risk Weighted Assets)</u>						
Consolidated	\$ 68,415	25.08 %	\$ 21,827	8.00 %	\$ 27,284	10.00 %
Standard Bank	62,878	23.13	21,745	8.00	27,181	10.00
<u>Tier 1 Capital (To Risk Weighted Assets)</u>						
Consolidated	64,936	23.80	10,914	4.00	16,370	6.00
Standard Bank	59,474	21.88	10,872	4.00	16,308	6.00
<u>Tier 1 Capital (To Average Assets)</u>						
Consolidated	64,936	15.22	17,064	4.00	21,330	6.00
Standard Bank	59,474	14.10	16,877	4.00	21,096	5.00

Note 11 – Stock Based Compensation

In 2012, the Company's stockholders approved the 2012 Equity Incentive Plan (the "2012 Plan"). The purpose of the 2012 Plan is to provide officers, employees and directors with additional incentives to promote growth and performance of Standard Financial Corp. The 2012 Plan authorizes the granting of options to purchase shares of the Company's stock, which may be nonqualified stock options or incentive stock options, and restricted stock which is subject to vesting conditions and other restrictions. The 2012 Plan reserved an aggregate number of 486,943 shares of which 347,817 may be issued in connection with the exercise of stock options and 139,126 may be issued as restricted stock.

On July 25, 2012, certain directors and officers of the Company were awarded an aggregate of 278,075 options to purchase shares of common stock and 111,300 restricted shares of common stock. The awards vest over five years at the rate of 20% per year and the stock options have a ten year contractual life from the date of grant. The Company recognizes expense associated with the awards over the five year vesting period. Remaining shares available to be issued under the stock option and restricted stock plans are 69,742 and 27,826, respectively.

The Company's common stock closed at \$16.50 per share on July 25, 2012, which is the exercise price of the options granted on that date. The estimated fair value of the stock options was \$423,000, before the impact of income taxes. The per share weighted-average fair value of stock options granted with an exercise price equal to the market value on July 25, 2012 was \$1.52 using the following Black-Scholes option pricing model assumptions: expected life of 7.5 years, expected dividend rate of 1.13%, risk-free interest rate of 1.10% and an expected volatility of 9.5% based on historical results of the stock prices of a bank peer group. Compensation expense on the options was \$85,000 and \$85,000, respectively, with a related tax benefit recorded of \$8,000 and \$8,000, respectively, for the years ended September 30, 2014 and 2013. As of September 30, 2014, there was \$239,000 of total unrecognized compensation cost related to non-vested options which is expected to be recognized ratably over the weighted average remaining service period of 2.8 years. At September 30, 2014, future compensation related to the options is expected to be \$85,000 in 2015, \$85,000 in 2016 and \$69,000 in 2017.

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 11 – Stock Based Compensation (Continued)**

The following table summarizes transactions regarding the options under the Plan:

	Options	Weighted Average Exercise Price
Outstanding at September 30, 2013	278,075	\$ 16.50
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at September 30, 2014	<u>278,075</u>	<u>\$ 16.50</u>
Exercisable at September 30, 2014	<u>111,230</u>	<u>16.50</u>
Outstanding at September 30, 2012	278,075	\$ 16.50
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at September 30, 2013	<u>278,075</u>	<u>\$ 16.50</u>
Exercisable at September 30, 2012	<u>55,615</u>	<u>16.50</u>

On July 25, 2012, the date of grant, the fair value of the restricted stock awards was approximately \$1.8 million, before the impact of income taxes. Compensation expense on the grants was \$367,000 and \$367,000, respectively, with a related tax benefit recorded of \$125,000 and \$125,000, respectively for the years ended September 30, 2014 and 2013. As of September 30, 2014, there was \$1.0 million of total unrecognized compensation cost related to non-vested grants which is expected to be recognized ratably over the weighted average remaining service period of 2.8 years. At September 30, 2014, future compensation related to the grants is expected to be \$367,000 in 2015, \$367,000 in 2016 and \$306,000 in 2017.

The following table summarizes transactions regarding restricted stock under the Plan:

	Number of Restricted Shares	Weighted Average Grant Date Price Per Share
Non-vested shares at September 30, 2013	89,040	\$ 16.50
Granted	-	-
Vested	(22,260)	16.50
Forfeited	-	-
Non-vested shares at September 30, 2014	<u>66,780</u>	<u>\$ 16.50</u>
Non-vested shares at September 30, 2012	111,300	\$ 16.50
Granted	-	-
Vested	(22,260)	16.50
Forfeited	-	-
Non-vested shares at September 30, 2013	<u>89,040</u>	<u>\$ 16.50</u>

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 12 – 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 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 Stockholders’ Equity. Shares are released as debt payments are made by the ESOP to the loan. The ESOP’s sources of repayment of the loan can include dividends, if any, on the unallocated stock held by the ESOP and discretionary contributions from the Company to the ESOP and earnings thereon.

Compensation expense is equal to the fair value of the shares committed to be released and unallocated ESOP shares are excluded from outstanding shares for purposes of computing earnings per share. Compensation expense related to the ESOP of \$276,000 and \$268,000 was recognized during the years ended September 30, 2014 and 2013, respectively. Dividends on unallocated shares are not treated as ordinary dividends and are instead used to repay the ESOP loan and recorded as compensation expense.

As of September 30, 2014, the ESOP held a total of 273,980 shares of the Company’s stock, and there were 231,276 unallocated shares. As of September 30, 2013, the ESOP held a total of 275,738 shares of the Company’s stock, and there were 245,731 unallocated shares. The fair market value of the unallocated ESOP shares was \$4.8 million at September 30, 2014 and \$4.5 million at September 30, 2013. During both years ended September 30, 2014 and 2013, 14,455 shares were released for allocation.

Note 13 – Employee Benefit Plans

The Company participates in the Pentegra Defined Benefit Plan for Financial Institutions Retirement Fund (“the Pentegra DB Plan”), a tax-qualified multi-employer pension plan. The Pentegra DB Plan provided defined pension benefits to substantially all of the Company’s employees. Effective August 1, 2005, the annual benefit provided to employees under this defined benefit pension plan was frozen by Standard Bank. Freezing the plan eliminates all future benefit accruals; however, the accrued benefit as of August 1, 2005 remains. In December 2008, management approved the decision to withdraw from the Pentegra Defined Benefit Plan; however, due to declines in market interest rates used to calculate the pension withdrawal liability, management has postponed the withdrawal until interest rates become more favorable. At that time, management determined that the Company’s withdrawal from the plan was probable; however, only a range of the estimated cost to exit the plan could be determined. The Company has recorded a liability of approximately \$1.2 million, which is the minimum cost expected to be incurred as a result of the withdrawal.

The Pentegra DB Plan’s Employer Identification Number is 13-5645888 and the Plan Number is 333. The Pentegra DB Plan operates as a multi-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan. The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan contributions made by a participating employer may be used to provide benefits to participants of other participating employers. The funded status (market value of the Plan assets divided by funding target) based on an actuarial valuation report was 103.37% and 93.76%, respectively, as of July 1, 2014 and July 1, 2013. The market value of the Plan assets reflects any contributions received through September 30, 2014. Total contributions made to the Pentegra DB Plan, as reported on Form 5500, were \$136.5 million and \$196.5 million for the plan years ending June 30, 2013 and June 30, 2012, respectively. The Company’s contributions to the Pentegra DB Plan are not more than 5% of the total contributions to the Pentegra DB Plan. During the years ended September 30, 2014 and 2013, the Company recognized \$96,000 and \$152,000, respectively, as pension expense and made \$132,000 and 89,000, respectively, as contributions to the Pentegra DB Plan.

The Company participates in the Pentegra Financial Institutions Thrift Plan, a multi-employer 401(k) plan, which provides benefits to substantially all of the Company’s employees. Employees’ contributions to the plan are matched by the Company

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 13 – Employee Benefit Plans (Continued)

up to a maximum of 3 percent of such employees' pretax salaries. Expense recognized for the plans was \$94,000 and \$87,000 for the years ended September 30, 2014 and 2013, respectively.

On January 1, 2002, the Company adopted a nonqualified phantom stock appreciation rights plan for key officers and directors. This plan was an incentive-driven benefit plan with payout deferred until the end of the tenth plan year. This plan was frozen effective September 30, 2010 in connection with the Company's stock conversion with no further benefits accruing. Payouts under this plan began on January 1, 2012. For the years ended September 30, 2014 and 2013, \$11,000 and \$19,000, respectively, of interest expense was recognized on the benefits accrued. The accrued liability relating to this plan was \$150,000 and \$240,000 at September 30, 2014 and September 30, 2013, respectively.

Note 14 – Financial Instruments With Off-Balance Sheet Risk

In the normal course of business, the Company extends credit in the form of loan commitments and undisbursed home equity lines of credit. These off-balance sheet instruments involve, to various degrees, elements of credit and interest rate risk not reported in the statement of financial condition.

The Company's exposure to credit loss in the event of nonperformance by the other party to these financial instruments is represented by the contract amount of the financial instrument. The Company uses the same credit policies in making commitments for off-balance sheet financial instrument as it does for on-balance sheet instruments.

Financial instruments with off-balance sheet risk as of September 30, 2014 and 2013 are presented in the following table (dollars in thousands):

	<u>2014</u>	<u>2013</u>
One-to-four family dwellings:		
Loan commitments	\$ 1,895	\$ 376
Undisbursed home equity lines of credit	12,449	13,376
Undisbursed funds-construction loans in process	1,131	561
Commercial loan commitments	17,497	15,528
Other	375	484

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the Company upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but generally includes real estate property. The majority of commitments to originate loans at September 30, 2014 and 2013 were for fixed rate loans. The Company grants loan commitments at prevailing market rates of interest.

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 15 - Fair Value of Assets and Liabilities

Fair Value Hierarchy

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. A contractually binding sales price also provides reliable evidence of fair value.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that utilize model-based techniques for which all significant assumptions are observable in the market.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement; inputs to the valuation methodology that utilize model-based techniques for which significant assumptions are not observable in the market; or inputs to the valuation methodology that requires significant management judgment or estimation, some of which may be internally developed.

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

Assets Measured at Fair Value on a Recurring Basis

Investment and Mortgage-Backed Securities Available for Sale

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

On a quarterly basis, management reviews the pricing information received from the Company's third-party pricing service. This review process includes a comparison to non-binding third-party broker quotes, as well as a review of market-related conditions impacting the information provided by the Company's third-party pricing service. Management primarily identifies investment securities which may have traded in illiquid or inactive markets by identifying instances of a significant decrease in the volume or frequency of trades, relative to historical levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. Securities that are deemed to have been trading in illiquid or inactive markets may require the use of significant unobservable inputs. As of September 30, 2014 and 2013, management did not make adjustments to prices provided by the third-party pricing service as a result of illiquid or inactive markets. On a quarterly basis, management also reviews a sample of securities priced by the Company's third-party pricing service to review significant assumptions and valuation methodologies used. Based on this review, management determines whether the current placement of the security in the fair value hierarchy is appropriate or whether transfers may be warranted.

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 15 - Fair Value of Assets and Liabilities (Continued)**

The following table presents the assets measured at fair value on a recurring basis as of September 30, 2014 and 2013 by level within the fair value hierarchy (dollars in thousands):

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2014:				
Investment securities available for sale:				
U.S. government and agency obligations	\$ -	\$ 14,604	\$ -	\$ 14,604
Corporate bonds	-	7,041	-	7,041
Municipal obligations	-	34,101	-	34,101
Equity securities	2,199	-	-	2,199
Total investment securities available for sale	2,199	55,746	-	57,945
Mortgage-backed securities available for sale	-	32,758	-	32,758
Total recurring fair value measurements	\$ 2,199	\$ 88,504	\$ -	\$ 90,703
September 30, 2013:				
Investment securities available for sale:				
U.S. government and agency obligations	\$ -	\$ 22,358	\$ -	\$ 22,358
Corporate bonds	-	7,047	-	7,047
Municipal obligations	-	33,052	-	33,052
Equity securities	1,595	-	-	1,595
Total investment securities available for sale	1,595	62,457	-	64,052
Mortgage-backed securities available for sale	-	29,701	-	29,701
Total recurring fair value measurements	\$ 1,595	\$ 92,158	\$ -	\$ 93,753

Assets Measured at Fair Value on a Nonrecurring Basis

The following table presents the assets measured at fair value on a nonrecurring basis as of September 30, 2014 and 2013 by level within the fair value hierarchy (dollars in thousands):

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2014:				
Foreclosed real estate	\$ -	\$ -	\$ 476	\$ 476
Impaired loans	-	-	599	599
Total nonrecurring fair value measurements	\$ -	\$ -	\$ 1,075	\$ 1,075
September 30, 2013:				
Foreclosed real estate	\$ -	\$ -	\$ 607	\$ 607
Impaired loans	-	-	1,024	1,024
Total nonrecurring fair value measurements	\$ -	\$ -	\$ 1,631	\$ 1,631

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 15 - Fair Value of Assets and Liabilities (Continued)

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

September 30,	Quantitative Information about Level 3 Fair Value Measurements				
	2014	2013	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Foreclosed real estate	\$ 476	\$ 607	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expenses (2)	0% to 40% (25%) 0% to 10% (5%)
Impaired loans	\$ 599	\$ 1,024	Fair value of collateral (1), (3)	Appraisal adjustments (2) Liquidation expenses (2)	0% to 40% (25%) 0% to 10% (5%)

- (1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.
- (2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.
- (3) Includes qualitative adjustments by management and estimated liquidation expenses.

Disclosures about Fair Value of Financial Instruments

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

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

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

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

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

STANDARD FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Note 15 - Fair Value of Assets and Liabilities (Continued)

The following table presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of September 30, 2014 and 2013 (dollars in thousands):

	Carrying Amount	Total Fair Value	Fair Value Measurements		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2014:					
Financial Instruments - Assets:					
Cash on hand and due from banks	\$ 2,166	\$ 2,166	\$ 2,166	\$ -	\$ -
Interest-earning deposits in other institutions	5,646	5,646	5,646	-	-
Certificates of deposit	1,000	1,000	1,000	-	-
Investment securities	57,945	57,945	2,199	55,746	-
Mortgage-backed securities	32,758	32,758	-	32,758	-
Loans receivable	312,126	318,556	-	-	318,556
Accrued interest receivable	1,164	1,164	1,164	-	-
Federal Home Loan Bank stock	3,544	3,544	3,544	-	-
Bank-owned life insurance	14,145	14,145	14,145	-	-
Financial Instruments - Liabilities:					
Demand, regular and club accounts	198,911	198,911	198,911	-	-
Certificate accounts	121,567	123,890	-	-	123,890
Federal Home Loan Bank advances	47,272	47,275	-	-	47,275
Securities sold under agreements to repurchase	2,228	2,228	2,228	-	-
Accrued interest payable	167	167	167	-	-
September 30, 2013:					
Financial Instruments - Assets:					
Cash on hand and due from banks	\$ 2,559	\$ 2,559	\$ 2,559	\$ -	\$ -
Interest-earning deposits in other institutions	12,432	12,432	12,432	-	-
Certificates of deposit	1,000	1,000	1,000	-	-
Investment securities	64,052	64,052	1,595	62,457	-
Mortgage-backed securities	29,701	29,701	-	29,701	-
Loans receivable	293,664	301,505	-	-	301,505
Accrued interest receivable	1,169	1,169	1,169	-	-
Federal Home Loan Bank stock	2,757	2,757	2,757	-	-
Bank-owned life insurance	13,722	13,722	13,722	-	-
Financial Instruments - Liabilities:					
Demand, regular and club accounts	195,628	195,628	195,628	-	-
Certificate accounts	130,497	134,131	-	-	134,131
Federal Home Loan Bank advances	28,892	29,063	-	-	29,063
Securities sold under agreements to repurchase	4,194	4,194	4,194	-	-
Accrued interest payable	184	184	184	-	-

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 16 - Accumulated Other Comprehensive Income**

The following tables present the significant amounts reclassified out of accumulated other comprehensive income and the changes in accumulated other comprehensive income by component for years ended September 30, 2014 and 2013:

	Net Unrealized Gains (Losses) on Investment Securities	Affected Line on the Consolidated Statements of Income
Accumulated Other Comprehensive Income - September 30, 2013	\$ 502	
Net unrealized gains arising during the period before tax	757	
Tax effect	(257)	
Net unrealized gains arising during the period after tax	<u>500</u>	
Reclassification adjustment for security gains realized in net income before tax	(97)	Net securities gains
Tax effect	33	Income tax expense
Reclassification adjustment for security gains realized in net income after tax	<u>(64)</u>	
Total other comprehensive income	<u>436</u>	
Accumulated Other Comprehensive Income - September 30, 2014	<u>\$ 938</u>	
Accumulated Other Comprehensive Income - September 30, 2012	\$ 2,065	
Net unrealized losses arising during the period before tax	(2,289)	
Tax effect	778	
Net unrealized losses arising during the period after tax	<u>(1,511)</u>	
Reclassification adjustment for security gains realized in net income before tax	(79)	Net securities gains
Tax effect	27	Income tax expense
Reclassification adjustment for security gains realized in net income after tax	<u>(52)</u>	
Total other comprehensive loss	<u>(1,563)</u>	
Accumulated Other Comprehensive Income - September 30, 2013	<u>\$ 502</u>	

STANDARD FINANCIAL CORP.NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**Note 17 – Quarterly Financial Data (unaudited)**

Following are quarterly condensed consolidated statements of income for the years ended September 30, 2014 and 2013. Quarterly earnings per share data may vary from annual earnings per share due to rounding.

(Dollars in thousands, except per share data)	First <u>Quarter</u>	Second <u>Quarter</u>	Third <u>Quarter</u>	Fourth <u>Quarter</u>
<u>2014</u>				
Interest and dividend income	\$ 3,833	\$ 3,758	\$ 3,789	\$ 3,876
Interest expense	<u>907</u>	<u>873</u>	<u>850</u>	<u>863</u>
Net interest income	2,926	2,885	2,939	3,013
Provision for loan losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest income after provision for loan losses	2,926	2,885	2,939	3,013
Noninterest income	695	664	719	724
Noninterest expenses	<u>2,556</u>	<u>2,631</u>	<u>2,437</u>	<u>2,518</u>
Income before income tax expense	1,065	918	1,221	1,219
Income tax expense	<u>296</u>	<u>211</u>	<u>375</u>	<u>366</u>
Net income	<u>\$ 769</u>	<u>\$ 707</u>	<u>\$ 846</u>	<u>\$ 853</u>
Earnings Per Share	<u>\$ 0.28</u>	<u>\$ 0.27</u>	<u>\$ 0.32</u>	<u>\$ 0.33</u>
<u>2013</u>				
Interest and dividend income	\$ 4,058	\$ 3,996	\$ 3,847	\$ 3,840
Interest expense	<u>1,018</u>	<u>962</u>	<u>934</u>	<u>910</u>
Net interest income	3,040	3,034	2,913	2,930
Provision for loan losses	<u>225</u>	<u>150</u>	<u>-</u>	<u>-</u>
Net interest income after provision for loan losses	2,815	2,884	2,913	2,930
Noninterest income	686	694	744	678
Noninterest expenses	<u>2,445</u>	<u>2,679</u>	<u>2,691</u>	<u>2,670</u>
Income before income tax expense	1,056	899	966	938
Income tax expense	<u>302</u>	<u>178</u>	<u>244</u>	<u>253</u>
Net income	<u>\$ 754</u>	<u>\$ 721</u>	<u>\$ 722</u>	<u>\$ 685</u>
Earnings Per Share	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.25</u>	<u>\$ 0.24</u>

Note 18– Subsequent Events

The Company assessed events occurring subsequent to September 30, 2014, through December 16, 2014, for potential recognition and disclosure in the consolidated financial statements. No events have occurred that would require adjustment to or disclosure in the consolidated financial statements which were issued on December 16, 2014.