

Standard AVB Financial Corp.
Form 10-K
April 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017
OR

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

For the transition period from _____ to _____
Commission file number 333-215069

STANDARD AVB FINANCIAL CORP.
(Exact Name of Registrant as Specified in its Charter)

Maryland	27-3100949
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2640 Monroeville Boulevard, Monroeville, Pennsylvania	15146
(Address of Principal Executive Offices)	(Zip Code)

(412) 856-0363
(Telephone Number, including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of March 29, 2018, there were issued and outstanding 4,796,643 shares of the Registrant's Common Stock.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sales price on June 30, 2017 was \$135.1 million.

DOCUMENTS INCORPORATED BY REFERENCE:

Document	Part of Form 10-K
Proxy Statement for the 2018 Annual Meeting of Stockholders of the Registrant	Part III

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Standard AVB Financial Corp.

Annual Report on Form 10-K
For The Year Ended
December 31, 2017

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PART I

ITEM 1. Business

Forward-Looking Statements

This annual report contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect,” “will,” “may” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and unless required under the federal securities laws, we do not undertake any obligation to update any forward-looking statements after the date of this annual report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities, if any;
-

changes in consumer spending, borrowing and savings habits;

•

changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission (the “SEC”) and the Public Company Accounting Oversight Board;

•

changes in our organization, compensation and benefit plans;

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changes in our financial condition or results of operations that reduce capital available to pay dividends; and

•

changes in the financial condition or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

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Standard AVB Financial Corp.

Standard AVB Financial Corp. (“Standard” or the “Company”), is a Maryland corporation that owns all of the outstanding shares of common stock of Standard Bank, a Pennsylvania chartered savings bank (the “Bank”). Standard’s common stock is quoted on the OTCQX market place under the symbol “STND.”

On August 29, 2016, Standard Financial Corp. and Allegheny Valley Bancorp, Inc. (“Allegheny Valley”) entered into an Agreement and Plan of Merger, which contemplated that Allegheny Valley would merge with and into Standard Financial Corp., with Standard Financial Corp. as the surviving entity to be known as “Standard AVB Financial Corp.”

On April 7, 2017, Allegheny Valley merged with and into Standard Financial Corp. and the Company is now referred to as “Standard AVB Financial Corp.” In conjunction with the merger and the filing of the Form S-4 Registration Statement, Standard AVB Financial Corp. became an SEC reporting company.

On August 22, 2017, the Company’s Board of Directors (“the Board”) amended the bylaws to change the Company’s fiscal year end from September 30th to December 31st. The change in fiscal year end resulted in a three-month transition period which began on October 1, 2016 and ended on December 31, 2016. As a result of its change in fiscal year, Standard AVB filed a Transition Report on Form 10-Q with the SEC on September 29, 2017 which covered the transition period from October 1, 2016 to December 31, 2016. The separate audited financial statements required for the transition period are included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

On a consolidated basis, as of December 31, 2017, Standard AVB Financial Corp. had total assets of \$972.6 million, total loans receivable, net of \$747.0 million, total deposits of \$694.8 million and stockholders’ equity of \$134.0 million. Our executive offices are located at 2640 Monroeville Boulevard, Monroeville, Pennsylvania 15146. Our telephone number at this address is (412) 856-0363.

Standard Bank

Standard Bank is a Pennsylvania chartered savings bank headquartered in Murrysville, Pennsylvania with executive offices in Monroeville, Pennsylvania. Standard Bank was organized in 1913, and reorganized into the mutual holding company structure in 1998. Following the completion of the stock conversion, Standard Bank became the wholly owned subsidiary of Standard. Standard provides financial services to individuals, families and businesses through seventeen banking offices located in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland.

Standard Bank’s business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential mortgage loans, commercial real estate loans, home equity loans and lines of credit, commercial business loans and investment securities. To a much lesser extent, Standard also originates construction loans and consumer loans. Standard Bank offers a variety of deposit accounts, including savings accounts, certificates of deposit, money market accounts, commercial and regular checking accounts and individual retirement accounts.

Standard Bank’s administrative offices are located at 2640 Monroeville Boulevard, Monroeville, Pennsylvania 15146. Standard’s telephone number at this address is (412) 856-0363. Standard’s website address is www.standardbankpa.com. Information on Standard’s website is not incorporated into this Annual Report and should not be considered part of this Annual Report.

Market Area

Standard AVB Financial Corp., with total assets of \$972.6 million at December 31, 2017, is the parent company of Standard Bank, PaSB, a Pennsylvania chartered savings bank which operates seventeen offices serving individuals and small to mid-sized businesses in Allegheny, Westmoreland and Bedford Counties, in Pennsylvania and Allegany County in Maryland. Standard Bank is a member of the FDIC and an Equal Housing Lender.

Standard’s market area has a broad range of private employers, and has changed its focus from heavy industry to more specialized industries and service providers, including technology, health care, education, energy and finance.

Westmoreland County is east of Allegheny County and is part of the Pittsburgh

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metropolitan area. Allegany County, Maryland is part of the Cumberland, Maryland-West Virginia metropolitan area, which is equidistant from Pittsburgh and Baltimore, and its economy includes information technology, biotechnology, medical services and manufacturing.

Unemployment rates have continued to drop significantly in the Standard's market area. The Pittsburgh MSA unemployment rate is nearly even with that of the state. However, the unemployment rate in Allegany County, Maryland is substantially higher than that of the state of Maryland and the national unemployment rate continues to be better than that all of Standard's market.

Due to the broad diversification of industries and employers, Standard's market area was not severely affected by the economic downturn that began in 2008. Median household income levels in Standard's market area have been mixed. Allegheny, Westmoreland, Fayette and Butler Counties, Pennsylvania have outpaced the median household income growth for both Pennsylvania and the nation since 2010. In Allegany County in Western Maryland, median household income growth has done better than the state of Maryland and the percentage change for the United States. However, median household income in each of the counties within Standard's market area, with the exception of Allegheny County, Pennsylvania is substantially less than their respective states and nationally. Allegheny County, Pennsylvania is very close to matching the median household income for both the state and the nation.

The population growth in the Standard Bank's Pittsburgh market area has been relatively flat; similar to that of Pennsylvania. The population in Allegany County, Maryland has declined in contrast to the population growth in the state of Maryland. The median age throughout Standard's market area is substantially older than that of the nation and respective states. However, Allegheny County, Pennsylvania has seen what may be a reversal of that trend.

Competition

Standard faces intense competition in its market areas both in making loans and attracting deposits. Standard competes with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies and investment banking firms. Some of Standard's competitors have greater name recognition and market presence that benefit them in attracting business, and offer certain services that Standard does not or cannot provide.

Standard's deposit sources are primarily concentrated in the communities surrounding its community banking offices, located in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland. As of June 30, 2017 (the latest date for which information is publicly available), Standard ranked 15th in deposit market share out of 31 bank and thrift institutions with offices in Allegheny County, Pennsylvania with a market share of 0.4%, 9th in deposit market share out of 20 bank and thrift institutions in Westmoreland County, Pennsylvania with a market share of 2.9%, 7th in deposit market share out of 9 bank and thrift institutions in Bedford County, Pennsylvania, with a market share of 3.5% and 4th in deposit market share out of 5 bank and thrift institutions in Allegany County, Maryland with a market share of 8.2%.

Lending Activities

Standard's primary lending activities are the origination of commercial real estate loans, commercial business loans, one- to four-family residential mortgage loans and home equity loans and lines of credit. To a lesser extent, Standard also originates construction loans and consumer loans.

Commercial Real Estate Loans. At December 31, 2017, \$301.0 million, or 40.1%, of Standard's total loan portfolio, consisted of commercial real estate loans. Properties securing Standard's commercial real estate loans primarily include loans to lessors of residential buildings and dwellings, lessors of non-residential buildings, properties for single family home construction, small office buildings and office suites. Standard generally seeks to originate commercial real estate loans with initial principal balances of up to \$6.0 million. Substantially all of Standard's commercial real estate loans are secured by properties located in its primary market area. At December 31, 2017, Standard's largest commercial real estate loan relationship (consisting of three separate commercial real estate loans) had a combined principal balance of \$5.8 million and was secured by two commercial office buildings. These loans were performing in accordance with their terms and conditions at December 31, 2017.

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In the underwriting of commercial real estate loans, Standard generally lends up to the lower of 80% of the property's appraised value or purchase price. Standard bases its decision to lend primarily on the economic viability of the property and the creditworthiness of the borrower. In evaluating a proposed commercial real estate loan, Standard emphasizes the ratio of the property's projected net cash flow to the loan's debt service requirement (generally requiring a preferred ratio of 1.25x), computed after deductions for a vacancy factor and property expenses that Standard deems appropriate. Personal guarantees are usually obtained from commercial real estate borrowers. Standard generally requires title insurance, fire and extended coverage casualty insurance, and, if appropriate, flood insurance, in order to protect its security interest in the underlying property. Almost all of Standard's commercial real estate loans are generated internally by its Commercial Relationship Managers.

Commercial real estate loans generally carry higher interest rates and have shorter terms than one- to four-family residential mortgage loans. Commercial real estate loans entail greater credit risks compared to the one- to four-family residential mortgage loans Standard originates, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the property, as repayment of the loan generally is dependent, in large part, on sufficient income generated from the property to cover both operating expenses and debt service. Changes in economic conditions that are not in the control of the borrower or lender could affect the value of the collateral for the loan or the future cash flow of the property. Additionally, any decline in real estate values may be more pronounced for commercial real estate than residential properties.

Commercial Business Loans. Standard makes various types of secured and unsecured commercial business loans to customers in its market area for the purpose of working capital and other general business purposes. The terms of these loans generally range from less than one year to a maximum of ten years. The loans are either negotiated on a fixed-rate basis or carry adjustable interest rates indexed to a market rate index. Standard seeks to originate loans to small- and medium-size businesses with principal balances between \$50,000 and \$5.0 million. At December 31, 2017, Standard had commercial business loans totaling \$56.1 million, or 7.5% of the total loan portfolio.

Commercial credit decisions are based upon Standard's credit assessment of the loan applicant. Standard evaluates the applicant's ability to repay in accordance with the proposed terms of the loan and Standard assesses the risks involved. Personal guarantees of the principals are typically obtained. In addition to evaluating the loan applicant's financial statements, Standard considers the adequacy of the primary and secondary sources of repayment for the loan and debt service coverage. Credit agency reports of the applicant's personal credit history supplement Standard's analysis of the applicant's creditworthiness. Collateral supporting a secured transaction is also analyzed to determine its value and marketability. Commercial business loans generally carry higher interest rates than residential loans of like duration due to a higher risk of default as repayment generally depends on the successful operation of the borrower's business and the sufficiency of any collateral. At December 31, 2017, Standard's largest commercial business loan was to a municipality, had a principal balance of \$4.8 million and was secured by the full faith and credit and taxing authority of the borrower. This loan was performing in accordance with its terms and conditions at December 31, 2017.

One- to Four-Family Residential Mortgage Loans. At December 31, 2017, \$261.7 million, or 34.8%, of Standard's total loan portfolio, consisted of one- to four-family residential mortgage loans. Standard offers fixed-rate and adjustable-rate residential mortgage loans with maturities up to 30 years. One- to four-family residential mortgage loans are generally underwritten according to secondary market guidelines, and Standard refers to loans that conform to such guidelines as "conforming loans." Standard generally originates both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency, which is currently \$453,100 for single-family homes. However, loans in excess of \$453,100 (which are referred to as "jumbo loans") may be generally originated for retention in Standard's loan portfolio or may be sold servicing released. Standard's portfolio maximum loan amount for these loans is generally \$750,000. Standard underwrites jumbo portfolio loans in the same manner as conforming loans.

Standard will originate loans with loan-to-value ratios in excess of 80%, up to and including a loan-to-value ratio of 97%. Standard requires private mortgage insurance for loans with loan-to-value

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ratios in excess of 80%. During the fiscal ended December 31, 2017, Standard originated \$25.7 million of one- to four-family residential mortgage loans with loan-to-value ratios in excess of 80%. Standard offers special programs for low- and moderate-income home purchasers within low to moderate income census tracts. The property must be located within Standard's lending assessment area. Household income must be less than 80% of median income of the Metropolitan Statistical Area in order to qualify for the special low-to moderate-income program. Loans under this program may be originated up to 100% loan to value.

Standard generally sells fixed rate conforming loans with terms greater than 15 years and retain the servicing rights on loans sold to generate fee income. For the year ended December 31, 2017, Standard recognized loan servicing fees of \$210,000. As of December 31, 2017, the principal balance of loans serviced for others totaled \$68.7 million.

Other than Standard's loans for the construction of one- to four-family residential mortgage loans (described under "Construction Loans") and home equity lines of credit (described under "Home Equity Loans and Lines of Credit"), Standard does not offer "interest only" mortgage loans on one- to four-family residential properties (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan). Standard also does not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. Standard does not offer "subprime loans" (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation).

Home Equity Loans and Lines of Credit. In addition to traditional one- to four-family residential mortgage loans, Standard offers home equity loans and home equity lines of credit that are secured by the borrower's primary residence or secondary residence. At December 31, 2017, Standard's home equity loans and lines of credit totaled \$130.9 million and represented 17.4% of its total loan portfolio. Standard's home equity loans are originated with fixed rates of interest and with terms of up to 15 years. Home equity lines of credit have a maximum term of 20 years. Standard offers interest only lines of credit with a 10-year draw period in which interest is due monthly. After the initial 10-year draw period, the borrower is required to make principal payments based on a 10-year amortization. Standard's home equity lines of credit are currently originated with adjustable rates of interest. Home equity loans and lines of credit are generally underwritten with the same criteria that Standard uses to underwrite one- to four-family residential mortgage loans. For a borrower's primary residence, home equity loans and lines of credit may be underwritten with a loan-to-value ratio of 89.9% and 85%, respectively, when combined with the principal balance of the existing mortgage loan. At the time Standard closes a home equity loan or line of credit, Standard records a mortgage to perfect its security interest in the underlying collateral. At December 31, 2017 Standard's in-house maximum limit for home equity loans and lines of credit was \$750,000. Loans over \$400,000 require title insurance.

Home equity loans and lines of credit entail greater credit risks compared to the one- to four-family residential mortgage loans Standard originates, as they typically involve higher loan-to-value ratios. Therefore, any decline in real estate values may have a more detrimental effect on home equity loans and lines of credit compared to one- to four-family residential mortgage loans.

Construction Loans. Standard makes commercial construction loans for rental properties, commercial buildings and homes built by developers on speculative, undeveloped property. The terms of commercial construction loans are made in accordance with Standard's commercial loan policy. Advances on construction loans are made in accordance with a schedule reflecting the cost of construction, but are generally limited to an 80%

loan-to-completed-appraised-value ratio. Repayment of construction loans on non-residential properties is normally expected from the property's eventual rental income, income from the borrower's operating entity or the sale of the subject property. In the case of income-producing property, repayment is usually expected from permanent financing upon completion of construction. Standard typically provides the permanent mortgage financing on its construction loans. Construction loans are interest-only loans during the construction period, which typically do not exceed 12 months, and convert to permanent, amortizing financing following the completion of construction.

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Standard makes residential construction loans for one- to four-family owner-occupied properties. Advances on residential construction loans are made in accordance with a schedule reflecting the cost of construction. The terms of residential construction loans are made in accordance with Standard's one- to four-family residential lending policy (described under "One- to Four-Family Residential Mortgage Loans"). At December 31, 2017, residential construction loans totaled \$5.9 million and are included with one-to-four family residential and construction loans. At December 31, 2017, the additional un-advanced portion of these construction loans totaled \$7.1 million.

Generally, before making a commitment to fund a construction loan, Standard requires an appraisal of the property by a state-certified or state-licensed appraiser. Standard reviews and inspects properties before disbursement of funds during the term of the construction loan. Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, Standard may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project is inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. In the event Standard makes a land acquisition loan on property that is not yet approved for the planned development, there is the risk that approvals will not be granted or will be delayed. Construction loans also expose Standard to the risk that improvements will not be completed on time in accordance with specifications and projected costs. In addition, the ultimate sale or rental of the property may not occur as anticipated.

Loan Originations, Sales, Participations and Servicing. All loans that Standard originates are underwritten pursuant to its policies and procedures, which incorporate standard underwriting and secondary market guidelines. Standard originates both adjustable-rate and fixed-rate loans. Standard's loan origination and sales activity may be adversely affected by a rising interest rate environment that typically results in decreased loan demand. Most of Standard's one- to four-family residential mortgage loan originations are generated by its loan officers.

During fiscal 2017 and 2016, Standard sold approximately 9.4% and 24%, respectively, of the longer term fixed rate loans to the Federal Home Loan Bank of Pittsburgh ("FHLB") through its Mortgage Partnership Finance ("MPF") program that were originated during the year, with loan servicing rights retained. During the fiscal years 2017 and 2016, Standard originated \$5.3 million and \$3.9 million, respectively, of fixed-rate loans primarily with terms greater than 15 years which were sold to assist Standard in managing interest rate risk. Standard sells its loans with the servicing rights retained on residential mortgage loans, and Standard intends to continue this practice in the future, subject to the pricing of retaining such servicing rights. At December 31, 2017, Standard was servicing loans owned by others with a principal balance of \$68.7 million. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, contacting delinquent borrowers, supervising foreclosures and property dispositions in the event of defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans. Standard retains a portion of the interest paid by the borrower on the loans it services as consideration for its servicing activities.

From time to time, Standard enters into participations in commercial loans with other banks. In these circumstances, Standard will generally follow its customary loan underwriting and approval policies. At December 31, 2017 Standard had \$48.4 million in loan participations which included \$2.2 million related to lease financing.

Loan Approval Procedures and Authority. Standard's lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by its Board of Directors. The loan approval process is intended to assess the borrower's ability to repay the loan and the value of the collateral that will secure the loan. To assess the borrower's ability to repay, Standard reviews the borrower's employment and credit history, and historical and projected income and expenses. Standard requires "full documentation" on all of its loan applications. Standard requires a full appraisal of all real property securing 1st lien residential mortgage loans. Standard also requires appraisals on home equity

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loans and lines of credit and commercial real estate loans of \$250,000 or greater. For loan amounts under \$250,000 an appraisal may be required or other objective methods of property valuations are utilized. All appraisers are state-licensed or state-certified appraisers, and it's Bank practice to have local appraisers approved by the Board of Directors annually.

Standard's policies and loan approval limits are established by the Board of Directors. The approval authority necessary to decision all loan applications regardless of loan type is based on the resulting total exposure of the relationship. Secured loan requests with a relationship exposure of \$3.0 million or less can be approved by designated individual officers, officers acting together with specific lending approval authority, and/or the Officer Loan Committee. Secured loan requests with a relationship exposure in excess of \$3.0 million can be approved by the Board Loan Committee. Unsecured loan requests utilize a similar authority breakdown with the Board Loan Committee decisioning unsecured requests resulting in relationship exposures in excess of \$750,000. The Board of Directors approves all loan requests subject to Regulation O, and those that result in a relationship exposure that exceeds the Bank's internal House Limit. The Bank's House Limit was \$7.7 million at December 31, 2017.

Investments

Our Investment Committee, which is comprised of our Chief Executive Officer, President, Chief Financial Officer and Director of Finance, has primary responsibility for implementing our investment policy, which is established by our Audit Committee. The general investment strategies are developed and authorized by the Investment Committee in consultation with our Audit Committee. The Investment Committee is responsible for the execution of specific investment actions. These officers are authorized to execute investment transactions without the Board of Directors prior approval (provided the transactions are within the scope of the established investment policy). The investment policy is reviewed annually by the Investment Committee, and any changes to the policy are subject to approval by the full Board of Directors. The overall objectives of the Investment Policy are to maintain a portfolio of high quality and diversified investments to maximize interest income over the long term and to minimize risk, to provide collateral for borrowings, to provide additional earnings when loan production is low, and, when appropriate, to reduce our tax liability. The policy dictates that investment decisions give consideration to the safety of principal, liquidity requirements and interest rate risk management. All securities transactions are reported to the Board of Directors on a monthly basis.

Our current investment policy permits investments in securities issued by the U.S. Government as well as mortgage-backed securities, municipal securities, corporate bonds and direct obligations of Fannie Mae, Freddie Mac and Ginnie Mae. The investment policy also permits, with certain limitations, investments in certificates of deposit, collateralized mortgage obligations, mutual funds and equity securities. Our current investment policy does not permit investment in stripped mortgage-backed securities or derivatives as defined in federal banking regulations or in other high-risk securities. Our investment policy expressly prohibits the use of our investment portfolio for market-oriented trading activities or speculative purposes unless otherwise approved by our Audit Committee. We do not currently have a trading account for investment securities.

We designate a security as either held to maturity, available for sale, or trading, based upon our ability and intent. Securities available for sale and trading securities are reported at market value and securities held to maturity are reported at amortized cost. A periodic review and evaluation of the available for sale and held to maturity securities portfolios is conducted to determine if the fair value of any security has declined below its carrying value and whether such decline is other-than-temporary. At December 31, 2017, all of our securities were classified as available for sale. Our securities portfolio at December 31, 2017 consisted primarily of securities with the following fair values: \$67.6 million of mortgage-backed securities issued by U.S. Government agencies and U.S. Government-sponsored enterprises; \$50.8 million of municipal obligations; \$8.3 million of U.S. government and agency obligations; \$2.3 million of corporate bonds and \$4.2 million of equity securities. At December 31, 2017, none of the collateral underlying our securities portfolio was considered subprime or Alt-A. See "Item 7 — Management's Discussion of Financial Condition and Results of Operations — Balance Sheet Analysis: December 31, 2017 and December 31, 2016 — Investment Securities Portfolio" for a discussion of the recent performance of our securities portfolio.

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Mortgage-backed securities are securities issued in the secondary market that are collateralized by pools of mortgages. Certain types of mortgage-backed securities are commonly referred to as “pass-through” certificates because the principal and interest of the underlying loans is “passed through” to investors, net of certain costs, including servicing and guarantee fees. Mortgage-backed securities typically are collateralized by pools of one- to four-family or multifamily (loans on properties with 5 or more units) mortgages, although we invest primarily in mortgage-backed securities backed by one- to four-family mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors such as Standard Bank. The interest rate on the security is lower than the interest rates on the underlying loans to allow for payment of servicing and guaranty fees. Ginnie Mae, a U.S. Government agency, and government sponsored enterprises, such as Fannie Mae and Freddie Mac, either guarantee the payments or guarantee the timely payment of principal and interest to investors. Mortgage-backed securities are more liquid than individual mortgage loans since there is an active trading market for such securities. In addition, mortgage-backed securities may be used to collateralize borrowings. Investments in mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on our securities. Current prepayment speeds determine whether prepayment estimates require modification that could cause amortization or accretion adjustments.

Sources of Funds

General. Deposits traditionally have been our primary source of funds for our investment and lending activities. We also borrow from the FHLB to supplement cash flow needs. Our additional sources of funds are scheduled loan payments, maturing investments, loan repayments, customer repurchase agreements, income on other earning assets and the proceeds of loan sales.

Deposits. We accept deposits primarily from the areas in which our offices are located. We rely on our competitive pricing and products, convenient locations and quality customer service to attract and retain deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of savings accounts, certificates of deposit and regular checking accounts. Interest rates, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements and our deposit growth goals.

Borrowings. Our borrowings consist of short-term borrowings and long term advances from the FHLB as well as funds borrowed from customers under repurchase agreements. At December 31, 2017, FHLB short-term borrowings and long-term advances totaled \$27.0 million, or 3.2%, and \$107.7 million, or 12.8%, of total liabilities, respectively. Repurchase agreements totalled \$4.2 million, or 0.5%, of total liabilities. At December 31, 2017, we had access to additional FHLB borrowings of up to \$286.9 million. Short-term borrowings and long-term advances from the FHLB are collateralized by certain qualifying collateral such as loans, with weighted average collateral values determined by the FHLB equal to a least the unpaid amount of outstanding borrowings. Repurchase agreements are secured by municipal and U.S. government obligations.

Subsidiary Activities

Standard Bank has one active subsidiary, Westmoreland Investment Company, which is a Delaware corporation that holds residential mortgage loans originated and serviced by Standard Bank.

Expense and Tax Allocation

Standard Bank has entered into an agreement with Standard AVB Financial Corp. to provide it with certain administrative support services, whereby Standard Bank will be compensated at not less than the fair market value of the services provided. In addition, Standard Bank and Standard AVB Financial Corp. have entered into an agreement to establish a method for allocating and for reimbursing the payment of their consolidated tax liability.

Personnel

As of December 31, 2017, we had 144 full-time equivalent employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

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SUPERVISION AND REGULATION

General

Standard Bank is supervised and examined by the Pennsylvania Department of Banking and Securities as the issuer of its charter, and by the FDIC as the insurer of its deposits and its primary federal regulator. Standard Bank also is regulated to a lesser extent by the Federal Reserve Board, governing reserves to be maintained against deposits and other matters. Standard Bank is also subject to consumer protection rules and regulations issued by the Consumer Finance Protection Bureau. This system of state and federal regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the FDIC's deposit insurance fund, depositors, and other customers, and not for the protection of security holders. Standard Bank is periodically examined by the Pennsylvania Department of Banking and Securities and the FDIC to ensure that it satisfies applicable standards with respect to its capital adequacy, assets, management, earnings, liquidity and sensitivity to market interest rates. Following examinations, the Pennsylvania Department of Banking and Securities and the FDIC prepare reports for the consideration of Standard Bank's Board of Directors on any operating deficiencies. Standard Bank's relationship with its depositors also is regulated to a great extent by federal law and, to a much lesser extent, state law, especially in matters concerning the ownership of deposit accounts and the form and content of Standard Bank's loan documents.

As a bank holding company, Standard AVB Financial Corp. is required to file certain reports with, is subject to examination by, and otherwise must comply with the rules and regulations of the Pennsylvania Department of Banking and Securities and the Federal Reserve Board.

Any change in the applicable laws or regulations, whether by the FDIC, the Pennsylvania Department of Banking and Securities, the Federal Reserve Board or Congress, could have a material adverse impact on Standard AVB Financial Corp., Standard Bank and their operations.

Set forth below is a brief description of certain regulatory requirements that are applicable to Standard Bank and Standard AVB Financial Corp. The description below is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on Standard Bank and Standard AVB Financial Corp.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), has significantly changed the bank regulatory structure and is affecting the lending, investment, trading and operating activities of depository institutions and their holding companies. See "Item 1A — Risk Factors — The Dodd-Frank Act may have a material impact on our operations and the cost of our operations." Many of the provisions of the Dodd-Frank Act had delayed effective dates and the legislation required various federal agencies to promulgate numerous and extensive implementing regulations over a period of years. Although the effect of all of these regulations cannot be completely determined at this time, it is expected that the legislation and implementing regulations will increase our operating and compliance costs.

Banking Regulation

Pennsylvania Savings Bank Law. The Pennsylvania Banking Code of 1965, as amended (the "Banking Code"), contains detailed provisions governing the organization, operations, corporate powers, savings and investment authority, branching rights and responsibilities of directors, officers and employees of Pennsylvania savings banks. A Pennsylvania savings bank may locate or change the location of its principal place of business and establish an office anywhere in, or adjacent to, Pennsylvania, with the prior approval of the Pennsylvania Department of Banking and Securities. The Banking Code delegates extensive rulemaking power and administrative discretion to the Department of Banking in its supervision and regulation of state-chartered savings banks. The Pennsylvania Department of Banking and Securities may order any savings bank to discontinue any violation of law or unsafe or unsound business practice and may direct any trustee, officer, attorney, or employee of a savings bank engaged in an objectionable activity, after

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the Pennsylvania Department of Banking and Securities has ordered the activity to be terminated, to show cause at a hearing before the Pennsylvania Department of Banking and Securities why such person should not be removed. The Department of Banking may also appoint a receiver or conservator for an institution in appropriate cases.

Capital Requirements. Federal regulations require federally insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8.0%, and a 4.0% Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015, and are the result of a final rule implementing recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act. In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. Common equity Tier 1 capital generally is defined as common stockholders' equity and retained earnings. Tier 1 capital generally is defined as common equity Tier 1 plus additional Tier 1 capital, such as certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and certain other items. In assessing an institution's capital adequacy, the FDIC takes into consideration, not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions when deemed necessary.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in beginning January 1, 2016, at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% on January 1, 2019. In calendar 2017, the capital conservation buffer was 1.25%. It increased to 1.875% on January 1, 2018.

Standard Bank is also subject to capital guidelines of the Pennsylvania Department of Banking and Securities. The Pennsylvania Department of Banking and Securities requires 4% leverage capital and incorporates the federal risk-based requirements. The components of capital are substantially the same as those defined by the FDIC.

Prompt Corrective Action. Under federal regulations, a bank is considered to be (i) "well capitalized" if it has total risk-based capital of 10.0% or more, Tier 1 risk-based capital of 8.0% or more, common equity Tier 1 risk-based capital of 6.5% or more and Tier 1 leverage capital of 5.0% or more and is not subject to any written capital order or directive; (ii) "adequately capitalized" if it has total risk-based capital of 8.0% or more, Tier 1 risk-based capital of 6.0% or more, common equity Tier 1 risk-based capital of 4.5% or more and Tier 1 leverage capital of 4.0% or more and does not meet the definition of "well capitalized"; (iii) "undercapitalized" if it has total risk-based capital of less than 8.0%, Tier 1 risk-based capital of less than 6.0%, common equity Tier 1 risk-based capital of 4.5% or less or Tier 1 leverage capital of less than 4.0%; (iv) "significantly undercapitalized" if it has total risk-based capital of less than 6.0%, Tier 1 risk-based capital less than 4.0% common equity Tier 1 risk-based capital of less than 3.0, or Tier 1 leverage capital of less than 3.0%; and (v) "critically undercapitalized" if its ratio of tangible equity to total assets is equal to or less than 2.0%. Federal regulations also specify circumstances under which a federal banking agency may reclassify a well capitalized institution as adequately capitalized, and may require an adequately capitalized institution to comply with supervisory actions as if it were in the next lower category (except that the FDIC may not reclassify a significantly undercapitalized institution as critically undercapitalized). As of December 31, 2017, Standard Bank was "well-capitalized" for this purpose and exceeded all applicable capital requirements. The previously referenced final rule that increased regulatory capital requirements revised the prompt corrective action categories accordingly.

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Federal law provides for certain supervisory measures for undercapitalized institutions including restrictions on capital distributions and asset growth and the requirement that a capital restoration plan be filed with the FDIC within 45 days of the date an institution receives notice that it is “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” The criteria for an acceptable capital restoration plan include, among other things, the establishment of the methodology and assumptions for attaining adequately capitalized status on an annual basis, procedures for ensuring compliance with restrictions imposed by applicable federal regulations, the identification of the types and levels of activities the institution will engage in while the capital restoration plan is in effect, and assurances that the capital restoration plan will not appreciably increase the current risk profile of the institution. Any holding company for an institution required to submit a capital restoration plan must guarantee the lesser of an amount equal to 5% of the institution’s assets at the time it was notified or deemed to be undercapitalized by the FDIC or the amount necessary to restore the institution to adequately capitalized status. This guarantee remains in place until the FDIC notifies the institution that it has maintained adequately capitalized status for each of four consecutive calendar quarters, and the FDIC has the authority to require payment and collect payment under the guarantee. The FDIC may also take any one of a number of discretionary supervisory actions against undercapitalized institutions, including the issuance of a capital directive and the replacement of senior executive officers and directors. Generally, the FDIC is required to appoint a receiver or conservator for an institution that is “critically undercapitalized” within specific time frames.

Loans-to-One-Borrower Limitation. Under applicable regulations, with certain limited exceptions, a Pennsylvania chartered savings bank may lend to a single or related group of borrowers on an “unsecured” basis an amount equal to 15% of its unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if such loan is secured by readily marketable collateral, which is defined to include certain financial instruments and bullion, but generally does not include real estate. As a prudent lending practice, however, management and the Board of Directors have established an internal limitation for approval purposes based on the total exposure of a relationship. The formula to determine the Bank’s internal limitation is Tangible Capital times 15% times 50%. This limitation is a rolling number based on Bank performance, and is measured at the end of each calendar quarter. The internal limitation as of December 31, 2017 is \$7.9 million. Any new loan request that results in an exposure for approval purposes that exceeds this limitation must be presented to the full Board of Directors for decisioning.

Activities and Investments of Insured State-Chartered Banks. Federal law generally limits the types and amounts of equity investments of state-chartered banks insured by the FDIC to those that are permissible for national banks. An insured state bank is not prohibited from, among other things: (i) acquiring or retaining a majority interest in a subsidiary that is engaged in permissible activities; (ii) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation, or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank’s total assets; (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures liability insurance for directors, trustees or officers, or blanket bond group insurance coverage for insured depository institutions; and (iv) acquiring or retaining the voting shares of a depository institution if certain requirements are met. The direct or indirect activities of a state bank are similarly generally limited to those of a national bank. Exceptions include where approval is received for the activity from the FDIC.

Capital Distributions. The federal banking agencies have indicated that paying dividends that deplete a depository institution’s capital base to an inadequate level would be an unsafe and unsound banking practice. Under the FDIC Improvement Act of 1991, a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. Federal banking regulators have the authority to prohibit banks and bank holding companies from paying a dividend if the regulators deem such payment to be an unsafe or unsound practice. Standard Bank is also subject to regulatory restrictions on the payment and amounts of dividends under the Banking Code. The Banking Code states, in part, that dividends may be declared and paid by Standard Bank only out of accumulated net earnings.

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Community Reinvestment Act and Fair Lending Laws. Under the Community Reinvestment Act of 1977 (“CRA”), the FDIC is required to assess the record of all financial institutions regulated by it to determine if such institutions are meeting the credit needs of the community (including low-and moderate-income areas) which they serve. CRA performance evaluations are based on a four-tiered rating system: Outstanding, Satisfactory, Needs to Improve and Substantial Noncompliance. CRA performance evaluations are considered in evaluating applications for such things as mergers, acquisitions and applications to open branches. Standard Bank has a current CRA rating of “Satisfactory.”

Transactions with Related Parties. Transactions between banks and their related parties or affiliates are limited by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank. Generally, Sections 23A and 23B of the Federal Reserve Act (i) limit the extent to which the bank or its subsidiaries may engage in “covered transactions” with any one affiliate to an amount equal to 10.0% of such institution’s capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20.0% of such institution’s capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to non-affiliates. The term “covered transaction” includes the making of a loan to, purchase of assets from, issuance of a guarantee on behalf of and similar transactions with an affiliate. In addition, loans or other extensions of credit by the institution to the affiliate must be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act.

The Sarbanes-Oxley Act of 2002 generally prohibits loans by a company to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws, assuming such loans are also permitted under the law of the institution’s chartering state. Under such laws, the Standard Bank’s authority to extend credit to executive officers, directors and 10% shareholders (“insiders”), as well as entities under such person’s control, is limited. The law limits both the individual and aggregate amount of loans Standard Bank may make to insiders based, in part, on the Standard Bank’s capital position and requires certain board of directors, approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are further limited to specific categories.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action.

Insurance of Deposit Accounts. Standard Bank is a member of the Deposit Insurance Fund, which is administered by the FDIC. Deposit accounts in Standard Bank are insured by the FDIC up to a maximum of \$250,000 for each separately insured depositor.

The FDIC assesses insured depository institutions to maintain the Deposit Insurance Fund. Under the FDIC’s risk-based assessment system, institutions deemed less risky pay lower assessments. Assessments for institutions with less than \$10 billion of assets are based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of an institution’s failure within three years. That system, effective July 1, 2016, replaced the previous system under which institutions were placed into risk categories.

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The Dodd-Frank Act required the FDIC to revise its procedures to base assessments upon each insured institution's total assets less tangible equity instead of deposits. The FDIC finalized a rule, effective April 1, 2011, that set the assessment range at 2.5 to 45 basis points of total assets less tangible equity. In conjunction with the Deposit Insurance Fund's reserve ratio achieving 1.15%, the assessment range (inclusive of possible adjustments) was reduced for insured institutions of less than \$10 billion of total assets to 1.5 basis points to 30 basis points, effective July 1, 2016.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. The Dodd-Frank Act requires insured institutions with assets of \$10 billion or more to fund the increase from 1.15% to 1.35% and, effective July 1, 2016, such institutions are subject to a surcharge to achieve that goal. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC, and the FDIC has exercised that discretion by establishing a long-range fund ratio of 2%.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of Standard Bank. Future insurance assessments cannot be predicted.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

In addition to the FDIC assessments, the Financing Corporation ("FICO") is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. For the quarter ended December 31, 2017, the annualized FICO assessment rate equaled 0.54 basis points of total assets less tangible capital. The bonds issued by the FICO are due to mature by 2019.

Enforcement. The FDIC has extensive enforcement authority over insured state savings banks, including Standard Bank. The enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and capital directives and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations, breaches of fiduciary duty and unsafe or unsound practices.

Federal Home Loan Bank System. Standard Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the Federal Home Loan Bank of Pittsburgh, Standard Bank is required to acquire and hold shares of capital stock in the Federal Home Loan Bank. As of December 31, 2017, Standard Bank was in compliance with this requirement.

Other Regulations

Interest and other charges collected or contracted for by Standard Bank are subject to state usury laws and federal laws concerning interest rates. Standard Bank's operations are also subject to federal laws applicable to credit transactions.

Bank Holding Company Regulation

As a bank holding company, Standard AVB Financial Corp. is subject to regulation and examination by the Pennsylvania Department of Banking and Securities and the Federal Reserve Board. Standard AVB Financial Corp. is required to file with the Federal Reserve Board an annual report and such additional information as the Federal Reserve Board may require pursuant to the Bank Holding Company Act of 1956, as amended (the "BHC Act"). The BHC Act requires each bank holding company to obtain the approval of the Federal Reserve Board before it may acquire substantially all the assets of any bank, or

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before it may acquire ownership or control of any voting shares of any bank if, after such acquisition, it would own or control, directly or indirectly, more than five percent of the voting shares of such bank. Such a transaction may also require approval of the Pennsylvania Department of Banking and Securities.

Pursuant to provisions of the BHC Act and regulations promulgated by the Federal Reserve Board thereunder, Standard AVB Financial Corp. may only engage in or own companies that engage in activities deemed by the Federal Reserve Board to be so closely related to the business of banking or managing or controlling banks as to be a proper incident thereto, and the holding company must obtain permission from the Federal Reserve Board prior to engaging in most new business activities. A bank holding company that meets certain criteria may become a “financial holding company” and thereby engage in a broader range of financial activities, including insurance underwriting and investment banking. Standard AVB Financial Corp. has not elected to become a financial holding company. The Federal Reserve Board has adopted consolidated capital requirements for bank holding companies with assets of \$1 billion or greater. The Dodd-Frank Act required the Federal Reserve Board to revise its holding company consolidated capital requirements so that they are no less stringent than those applicable to insured depository institutions. The previously referenced regulatory capital requirements applicable to banks also apply to bank holding companies with assets of \$1 billion or more. Such capital requirements would apply to Standard AVB Financial Corp. at such time as its size met that threshold.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the Federal Reserve Board’s policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization’s capital needs, asset quality and overall financial condition. The Federal Reserve Board’s policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. Federal Reserve Board policies require a bank holding company to consult with the agency prior to paying dividends or repurchasing its stock under certain circumstances. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory requirements and policies could affect the ability of Standard AVB Financial Corp. to pay dividends or otherwise engage in capital distributions.

Change in Control Regulations. Under the Change in Bank Control Act, no person may acquire control of a bank holding company unless the Federal Reserve Board has been given 60 days’ prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal regulations, means ownership, control of or holding more than 25% of any class of voting stock, control in any manner of the election of a majority of the institution’s directors, or a determination by the regulator that the acquirer has the power, directly or indirectly, to exercise a controlling influence over the management or policies of the institution. Acquisition of more than 10% of any class of a bank holding company’s voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances, including where the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934. In addition, federal regulations provide that no company may acquire control of a bank holding company without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a “bank holding company” subject to registration, examination and regulation by the Federal Reserve Board.

Federal Securities Laws

Standard AVB Financial Corp.’s common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Standard AVB Financial Corp. is subject to the information and other requirements under the Securities Exchange Act of 1934.

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Standard AVB Financial Corp. common stock held by persons who are affiliates (generally officers, directors and principal stockholders) of Standard AVB Financial Corp. may not be resold without registration or unless sold in accordance with certain resale restrictions. If Standard AVB Financial Corp. meets specified current public information requirements, each affiliate of Standard AVB Financial Corp. is able to sell in the public market, without registration, a limited number of shares in any three-month period.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the SEC under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

TAXATION

Federal Taxation

General. Standard AVB Financial Corp. and Standard Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to Standard AVB Financial Corp. and Standard Bank.

Method of Accounting. For federal income tax purposes, Standard Bank will file a consolidated tax return with Standard AVB Financial Corp. and will report its income and expenses on the accrual method of accounting and use a calendar year ending December 31st for filing their consolidated federal income tax returns.

Minimum Tax. The Internal Revenue Code of 1986, as amended, imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, referred to as “alternative minimum taxable income.” The alternative minimum tax is payable to the extent alternative minimum taxable income is in excess of an exemption amount. Net operating losses can, in general, offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. At December 31, 2017, Standard AVB Financial Corp. had no alternative minimum tax credit carryforward.

Net Operating Loss Carryovers. Generally, a financial institution may carry back net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. At December 31, 2017, we had no net operating loss carryforward for federal income tax purposes.

Corporate Dividends. Standard AVB Financial Corp. will be able to exclude from its income 100% of dividends received from Standard Bank as a member of the same affiliated group of corporations.

Audit of Tax Returns. Our 2010 federal income tax return was audited by the Internal Revenue Service in 2012 with no changes to the return as filed. The 2014 federal tax return was audited in 2016 with no changes to the return as filed.

State Taxation

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. Our state income tax returns, as applicable, have not been audited in the most recent

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five year period. Additionally, the Bank has an open case with the Commonwealth Court of Pennsylvania regarding bank shares tax returns filed by Allegheny Valley prior to the merger.

ITEM 1A. Risk Factors

Because we intend to continue to emphasize commercial real estate loan originations, our credit risk could increase and continued weakness in the local real estate market or economy could adversely affect our earnings.

We intend to continue our emphasis on originating commercial real estate loans. Commercial real estate loans totaled \$301.0 million, or 40.1% of our total loan portfolio at December 31, 2017. Commercial real estate loans generally have more risk than the one- to four-family residential real estate loans. Because the repayment of commercial real estate loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. Any continued weakness or downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower's business, thereby increasing the risk of nonperforming loans. As our commercial real estate portfolio increases, the corresponding risks and potential for losses from these loans may also increase.

Standard may fail to realize the cost savings it expects to achieve from the merger.

Standard has incurred significant costs acquiring Allegheny Valley and combining the operations of the two companies. Additional unanticipated costs may be incurred as the post-merger integration continues.

The success of the merger will depend, in part, on Standard's ability to realize the estimated cost savings from combining the businesses of Standard and Allegheny. It is possible that the potential cost savings could be more difficult to achieve than Standard anticipates. Standard's cost savings estimates also depend on its ability to combine the businesses of Standard and Allegheny in a manner that permits those cost savings to be realized. If Standard's estimates are incorrect or it is unable to combine the two companies successfully, the anticipated cost savings may not be realized fully or at all, or may take longer to realize than expected.

The post-merger integration may distract management from their other responsibilities.

The post-merger integration could cause management to focus their time and energies on matters related to the integration that otherwise would be directed to the Company's business and operations. Any such distraction on the part of management, if significant, could affect management's ability to service existing business and develop new business and adversely affect the combined company's business and earnings.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance. Material additions to our allowance could materially decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our allowance for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities might have a material adverse effect on our financial condition and results of operations.

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The Financial Accounting Standards Board (“FASB”) has adopted Accounting Standard Update (“ASU”) 2016-13, which will be effective in the first quarter of 2020. This standard, often referred to as “CECL” (reflecting a current expected credit loss model), will require companies to recognize an allowance for credit losses based on estimates of losses expected to be realized over the contractual lives of the loans. Under current U.S. GAAP, companies generally recognize credit losses only when it is probable that a loss has been incurred as of the balance sheet date. This new standard will require us to collect and review increased types and amounts of data for us to determine the appropriate level of the allowance for loan losses, and may require us to increase our allowance for loan losses. Any increase in our allowance for loan losses or expenses may have a material adverse effect on our financial condition and results of operations. We are actively working through the provisions of the Update.

Future changes in interest rates could reduce our profits.

Our ability to make a profit largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings.

The majority of our portfolio loans have fixed interest rates. Additionally, many of our securities investments have fixed interest rates. Like many financial institutions, our focus on deposit accounts as a source of funds, which have no stated maturity date or short contractual maturities, results in our liabilities having a shorter duration than our assets. This imbalance can create significant earnings volatility, because market interest rates change over time. In a period of rising interest rates, the interest income earned on our assets, such as loans and investments, may not increase as rapidly as the interest paid on our liabilities, such as deposits. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers prepay mortgage loans, and mortgage-backed securities and callable investment securities are called or prepaid, thereby requiring us to reinvest these cash flows at lower interest rates.

Changes in interest rates creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities in a declining interest rate environment. Additionally, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable-rate loans. Changes in interest rates also affect the current fair value of our interest-earning securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. At December 31, 2017, a “rate shock” analysis indicated that our net portfolio value (the difference between the present value of our assets and the present value of our liabilities) would decrease by approximately \$12.0 million, or 7.69%, if there was an instantaneous 200 basis point increase in market interest rates.

Downturns in the local real estate market or economy could adversely affect our earnings.

A downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower’s business, thereby increasing the risk of nonperforming loans. If the Company is required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, its earnings and shareholders’ equity could be adversely affected. The declines in real estate prices in the Company’s markets also may result in increases in delinquencies and losses in its loan portfolios. Unexpected decreases in real estate prices coupled with a prolonged economic recovery and elevated levels of unemployment could drive losses beyond that which is provided for in the Company’s allowance for loan losses. In that event, the Company’s earnings could be adversely affected.

A worsening of economic conditions could adversely affect our financial condition and results of operations.

During the financial crisis, there were dramatic declines in the housing market, where falling real estate values and increasing foreclosures, unemployment, and under-employment negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions. Our lending business is tied, in large part, to the housing market and real estate markets in general. A return to these conditions or a general decline in economic conditions could result in more

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limited demand for the construction of new housing, and weakness in home pricing, and could ultimately result in increased delinquencies on our residential real estate loans, commercial real estate loans, commercial business loans, home equity loans and lines of credit and consumer loans. These conditions may also cause a further reduction in loan demand, and increases in our non-performing assets, net charge-offs and provisions for loan losses, as well as adversely affect our liquidity and the willingness of certain counterparties and customers to do business with us. Negative developments in the financial services industry and the domestic and international credit markets may significantly affect the markets in which we do business, the market for and value of our loans and investments, and our ongoing operations, costs and profitability. Moreover, declines in the stock market in general, or stock values of financial institutions and their holding companies specifically, could adversely affect our stock performance. Changes in the valuation of our securities portfolio could adversely affect us.

As of December 31, 2017, our investment securities portfolio, which includes government agency, mortgage-backed securities, municipal obligations, corporate bonds and marketable equity securities totaled \$133.2 million, or 13.7% of our total assets. Our securities portfolio may be impacted by fluctuations in market value, potentially reducing earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. Management evaluates securities for other-than-temporary impairment on a quarterly basis, with more frequent evaluation for selected issues. In analyzing a debt issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, industry analysts' reports and, to a lesser extent given the relatively insignificant levels of depreciation in our debt portfolio, spread differentials between the effective rates on instruments in the portfolio compared to risk-free rates. Changes in interest rates can also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates. The declines in fair value could result charges to earnings that could have a material adverse effect on our net income and capital levels.

Financial reform legislation has increased our costs of operations.

The Dodd-Frank Act has significantly changed the regulation of banks and savings institutions and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The current administration in Washington indicated they have plans for Dodd-Frank reform, however, we cannot predict the extent to how those changes will impact our business, operations or financial condition. However, compliance with the Dodd-Frank Act and its implementing regulations and policies has already resulted in changes to our business and operations, as well as additional costs, and diverted management's time from other business activities, which adversely affects our financial condition and results of operations.

The short-term and long-term impact of the changing regulatory capital requirements and new capital rules may adversely affect our returns on equity and our ability to pay dividends or repurchase stock.

In July 2013, the FDIC and the other federal bank regulatory agencies revised their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), set the leverage ratio at a uniform 4% of total assets, increased the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigned a higher risk weight (150%) to certain exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The rule limits a banking organization's capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold a "capital conservation buffer" consisting of 2.50% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule became effective January 1, 2015. The "capital conservation buffer" has been phased in beginning on January 1, 2016. It is currently 1.875% and will be fully phased in at 2.50% on January 1, 2019.

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The application of these more stringent capital requirements could, among other things, result in lower returns on equity, and result in regulatory actions if we were to be unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of Basel III could result in our having to lengthen the term of our funding, restructure our business models, and/or increase our holdings of liquid assets. Government responses to economic conditions may adversely affect our operations, financial condition and earnings. We are subject to extensive regulation, supervision and examination by the Pennsylvania Department of Banking and Securities, the Federal Deposit Insurance Corporation and the Federal Reserve Board. Such regulation and supervision govern the activities in which an institution and its holding company may engage and are intended primarily for the protection of the insurance fund and the depositors and borrowers of Standard Bank rather than for holders of our common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations.

Financial reform legislation has changed the bank regulatory framework, created an independent consumer protection bureau that has assumed the consumer protection responsibilities of the various federal banking agencies, and established more stringent capital standards for banks and bank holding companies. The legislation has also resulted in new regulations affecting the lending, funding, trading and investment activities of banks and bank holding companies. Bank regulatory agencies also have been responding aggressively to concerns and adverse trends identified in examinations. Ongoing uncertainty regarding the effect of new legislation and regulatory actions may adversely affect our operations by restricting our business activities, including our ability to originate or sell loans, modify loan terms, or foreclose on property securing loans. These measures are likely to increase our costs of doing business and may have a significant adverse effect on our lending activities, financial performance and operating flexibility. In addition, these risks could affect the performance and value of our loan and investment securities portfolios, which also would negatively affect our financial performance.

In addition, there have been proposals made by members of Congress and others that would reduce the amount distressed borrowers are otherwise contractually obligated to pay under their mortgage loans and limit an institution's ability to foreclose on mortgage collateral. Were proposals such as these, or other proposals limiting our rights as a creditor, to be implemented, we could experience increased credit losses or increased expense in pursuing our remedies as a creditor.

Standard's ability to pay dividends is subject to limitations.

The merger agreement between Standard and Allegheny Valley contemplated that, unless 75% of the board of directors determines otherwise for the two years following the closing of the merger and 66²/₃% of the board of directors for the three years thereafter, the combined company will pay a quarterly cash dividend in an amount no less than \$0.221 per share for five years after the effective time of the merger, provided that sufficient funds are legally available, and that Standard and Standard Bank remain "well-capitalized" in accordance with applicable regulatory guidelines.

Standard's ability to pay dividends depends on its receipt of dividends from its direct and indirect subsidiaries. Standard Bank is the Company's primary source of dividends. As a state chartered bank, Standard Bank is subject to regulatory restrictions on the payment and amounts of dividends under the Pennsylvania Banking Code.

Further, the ability of banking subsidiaries to pay dividends is also subject to their profitability, financial condition, capital expenditures and other cash flow requirements. There is no assurance that Standard's subsidiaries will be able to pay the dividends contemplated by the merger agreement or other dividends in the future or that Standard will generate adequate cash flow to pay dividends in the future. Standard's failure to pay dividends on its common stock could have a material adverse effect on the market price of its common stock.

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Standard may incur significant costs to ensure compliance with corporate governance and accounting requirements. Standard expects to incur significant costs associated with its public company reporting requirements, costs associated with applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC. Standard expects all of these applicable rules and regulations will increase its legal and financial compliance costs and to make some activities more time-consuming and costly.

Standard's success will depend upon the ability of management to adapt to the consolidated company structure. The business success of Standard and Standard Bank depends to a great extent upon the services of their directors and executive officers. Management's ability to operate Standard profitably will require the acquisition of new knowledge and skills. In particular, if Standard expands geographically or expands to provide non-banking services through the acquisition or formation of additional subsidiaries, current management may not have the necessary experience for successful operation in these new areas. There is no guarantee that management would be able to meet these new challenges or that Standard would be able to retain new directors or personnel with the appropriate background and expertise.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market areas we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefits them in attracting business, and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our continued ability to successfully compete in our market areas. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected. For additional information see "Item 1 — Business — Standard Bank — Competition".

Our information systems may experience an interruption or security breach.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our internet banking, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our communications and information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial liability.

We may be adversely affected by recent changes in U.S. tax laws.

Changes in tax laws contained in the Tax Cuts and Jobs Act, which was enacted in December 2017, include a number of provisions that will have an impact on the banking industry, borrowers and the market for single-family residential real estate. Changes include (i) a lower limit on the deductibility of mortgage interest on single-family residential mortgage loans, (ii) the elimination of interest deductions for certain home equity loans, (iii) a limitation on the deductibility of business interest expense and (iv) a limitation on the deductibility of property taxes and state and local income taxes.

The recent changes in the tax laws may have an adverse effect on the market for, and valuation of, residential properties, and on the demand for such loans in the future, and could make it harder for borrowers to make their loan payments. In addition, these recent changes may also have a disproportionate effect on taxpayers in states with high residential home prices and high state and local taxes. If home ownership becomes less attractive, demand for mortgage loans could decrease. The value of the properties

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securing loans in our loan portfolio may be adversely impacted as a result of the changing economics of home ownership, which could require an increase in our provision for loan losses, which would reduce our profitability and could materially adversely affect our business, financial condition and results of operations.

Technological advances impact our business.

The banking industry is undergoing technological changes with frequent introductions of new technology-driven products and services. In addition to improving customer services, the effective use of technology increases efficiency and enables financial institutions to reduce costs provided that they produce economies of scale and deploy technology in a safe and sound manner. Our future success will depend, in part, on our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in operations. Many competitors have substantially greater resources to invest in technological improvements and greater scale of operations to spread the costs of improvement over, creating a competitive advantage. We may not be able to effectively implement new technology-driven products and services or successfully market such products and services to a large enough number of customers to cover the up-front costs of implementation and ongoing costs to operate.

Evolving information technologies, the need to mitigate against and react to cyber-security risks and electronic fraud risks require significant resources and notwithstanding our investment in resources, we remain subject to cyber security risks and electronic fraud.

The Company needs to invest in information technology to keep pace with technology changes, and while the Company invests amounts it believes will be adequate, it may fail to invest adequate amounts such that the efficiency of information technology systems fails to meet operational needs. The risk of electronic fraudulent activity within the financial services industry, especially due to cyber attacks (crime committed through or involving the internet (phishing, hacking, denial of service attacks, stealing information, unauthorized intrusions into internal systems or the systems of the Company's third party vendors)) could adversely impact the Company's operations or damage its reputation. The Company's information technology infrastructure and systems may be vulnerable to cyber terrorism, computer viruses, system failures and other intentional or unintentional interference, fraud and other unauthorized attempts to access or interfere with the systems. A breach of our security controls and the occurrence of one or more of these incidents could have a material adverse effect on the Company's reputation, business, financial condition or results of operations. Further, any such occurrences could result in regulatory actions (including fines), litigation, unexpected costs and expenses, third-party damages or other loss or liabilities, any of which could have a material adverse effect on the results of operations or financial condition.

Our stock price may be volatile due to limited trading volume.

Our common stock is quoted on the OTCQX market place. However, the average daily trading volume in Standard AVB Financial Corp.'s common stock has been relatively small. As a result, trades involving a relatively small number of shares may have a significant effect on the market price of the common stock, and it may be difficult for investors to acquire or dispose of large blocks of stock without significantly affecting the market price.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We operate from our seventeen full service branches located in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland. Standard Bank considers its primary market area to be eastern Allegheny, Westmoreland, northern Fayette and southern Bedford counties in Pennsylvania and Allegany County, Maryland. The net book value of our office, properties and equipment was \$8.2 million at December 31, 2017.

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The following table sets forth information with respect to our full-service banking offices, including the expiration date of leases with respect to leased facilities.

Branch Name	Address	Owned or Leased
Cumberland	200 N. Mechanic Street Cumberland, MD 21502	Owned
LaVale	1275 National Highway LaVale, MD 21502	Owned
Blawnox	201 Freeport Road Pittsburgh, PA 15238	Owned
Green Tree	Four Parkway Center #100 875 Greentree Road Pittsburgh, PA 15220	Leased (expires 1/31/2020)
Greensburg	5150 Route 30 Greensburg, PA 15601	Leased (expires 4/30/2021)
Hyndman	3945 Center Street Hyndman, PA 15545	Owned
Lawrenceville	5137 Butler Street Pittsburgh, PA 15201	Owned
Ligonier	211 W. Main Street Ligonier, PA 15658	Owned
McKnight Road	7703 McKnight Road Pittsburgh, PA 15237	Leased (expires 7/1/2020)
Monroeville (Corporate Headquarters)	2640 Monroeville Boulevard Monroeville, PA 15146	Owned
Mount Pleasant	659 W. Main Street Mt Pleasant, PA 15666	Owned
Mt. Troy	2000 Mt. Troy Road Pittsburgh, PA 15212	Owned
Murrysville	4785 Old William Penn Highway Murrysville, PA 15668	Owned
Pittsburgh (downtown)	Lawyers Building 428 Forbes Avenue Pittsburgh, PA 15219	Leased (expires 10/31/2020)
Scottdale	100 Pittsburgh Street Scottdale, PA 15683	Owned
Shaler	900 Mt. Royal Boulevard Pittsburgh, PA 15223	Owned
Shaler Drive-Thru	1100 Mt. Royal Boulevard Pittsburgh, PA 15223	Owned

ITEM 3. Legal Proceedings

From time to time, we are involved as plaintiff or defendant in various legal proceedings arising in the ordinary course of business. At December 31, 2017, we were not involved in any legal proceedings, the outcome of which would be material to our financial condition or results of operations.

ITEM 4. Mine Safety Disclosures

Not Applicable.

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PART II

ITEM 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock trades on the OTCQX market place under the symbol “STND.” There is a limited public trading market for Standard common stock. As of December 31, 2017, Standard AVB Financial Corp. had 4,790,687 shares of common stock outstanding and approximately 566 stockholders of record. Certain shares of the Company are held in “nominee” or “street” name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

The following table sets forth the high and low closing trading prices of the Company’s common stock and cash dividends paid for each quarter during the year ended December 31, 2017, the three months ended December 31, 2016 and the fiscal year ended September 30, 2016.

Period	High	Low	Cash Dividends Paid
Year Ended December 31, 2017			
Quarter ended December 31, 2017	\$ 30.08	\$ 29.20	\$ 0.22
Quarter ended September 30, 2017	29.70	28.25	0.22
Quarter ended June 30, 2017	28.25	26.60	0.22
Quarter ended March 31, 2017	26.56	25.15	0.11
Three Month Period Ended December 31, 2016	\$ 25.45	\$ 22.70	\$ 0.11
Fiscal Year Ended September 30, 2016			
Quarter ended September 30, 2016	\$ 25.95	\$ 22.75	\$ 0.11
Quarter ended June 30, 2016	24.50	23.20	0.11
Quarter ended March 31, 2016	26.50	23.55	0.11
Quarter ended December 31, 2015	26.95	24.00	0.11

Dividends

Payment of dividends on our shares of common stock is subject to determination and declaration by the Board of Directors and depends upon a number of factors, including capital requirements, regulatory limitations on the payment of dividends, our results of operation and financial condition, tax considerations and general economic conditions. No assurance can be given that dividends will continue to be declared or, if declared, what the amount of dividends will be.

Equity Compensation Plan Information

Set forth below is information as of December 31, 2017 regarding equity compensation plans that have been approved by stockholders. The Company has no equity based benefit plans that were not approved by stockholders.

Plan	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price	Number of securities available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders(1)	229,180	\$ 16.50	95,144

Equity compensation plans approved by stockholders(2)	73,051	\$ 19.61	77,385
Equity compensation plans not approved by stockholders	—	—	—

(1)

Consists of options to purchase 278,075 shares of common stock under the Company's 2012 Equity Incentive Plan.

(2)

Consists of options to purchase 73,051 shares of common stock assumed through the Company's merger with Allegheny Valley Bancorp on April 7, 2017.

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Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during the year ended December 31, 2017.

Issuer Purchases of Equity Securities

There were no purchases made by or on behalf of us of our common stock during the year ended December 31, 2017.

ITEM 6. Selected Financial Data

Not applicable.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section is intended to help potential investors understand our financial performance through a discussion of the factors affecting our financial condition at December 31, 2017 and December 31, 2016, and our consolidated results of operations for the year ended December 31, 2017, the three months ended December 31, 2016 and the fiscal year ended September 30, 2016. This section should be read in conjunction with the audited consolidated financial statements and notes that appear elsewhere in this Annual Report.

Overview

Historically, Standard Bank has operated as a traditional community bank. At December 31, 2017, \$261.7 million, or 34.8% of its loan portfolio, consisted of one- to four-family residential real estate loans, of which \$174.1 million, or 66.5%, were fixed rate loans and \$87.6 million, or 33.5% were adjustable rate loans. This resulted in Standard being particularly vulnerable to increases in interest rates, as its interest-bearing liabilities mature or reprice more quickly than its interest-earning assets. In recent years, Standard has increased its focus on the origination of commercial real estate loans, which generally provide higher yields than one- to four-family residential mortgage loans, have shorter durations and are usually originated with adjustable interest rates. At December 31, 2017, \$301.0 million, or 40.0% of its loan portfolio, consisted of commercial real estate loans.

Other than Standard's loans for the construction of one- to four-family residential properties and home equity lines of credit, it does not offer "interest only" mortgage loans on one- to four-family residential properties (where the borrower pays interest but no principal for an initial period, after which the loan converts to a fully amortizing loan). Standard also does not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on their loan, resulting in an increased principal balance during the life of the loan. Standard does not offer "subprime loans" (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation). Standard also does not own any private label mortgage-backed securities that are collateralized by Alt-A, low or no documentation or subprime mortgage loans. At December 31, 2017, 86.3% of Standard's mortgage-backed securities have been issued by Freddie Mac, Fannie Mae or Ginnie Mae which are U.S. government agencies or government-sponsored enterprises. These entities guarantee the payment of principal and interest on Standard's mortgage-backed securities.

Standard's non-performing assets totaled \$3.3 million, or 0.34%, of total assets at December 31, 2017, compared to \$970,000, or 0.20%, of total assets at September 30, 2016. Standard had \$2.9 million and \$689,000 of loans delinquent 90 days or greater at December 31, 2017 and September 30, 2016, respectively. A \$517,000 provision for loan losses was recorded during the year ended December 31, 2017 compared to \$105,000 during the fiscal year ended September 30, 2016.

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Business Strategy

Standard's primary objective is to operate as a profitable, community-oriented financial institution serving customers in its market areas. The Bank is seeking to accomplish this objective by pursuing a business strategy that is designed to maintain core profitability, strong capital and high asset quality. This business strategy includes the following elements:

- Remaining a community-oriented financial institution while continuing to increase the customer base of small and medium-size businesses in our market area. Standard was established in 1913 and has operated continuously in the Pittsburgh Metropolitan Area since that date. In 2017, we merged with Allegheny Valley and expanded our footprint in the Pittsburgh market area. We are committed to meeting the financial needs of the communities in which it operates, and is dedicated to providing quality personal service to its customers. Standard provides a broad range of business and consumer financial services from its seventeen community banking offices. It continues to expand its commercial real estate and business lending staff to enhance its capacity to serve small and medium-sized businesses in its market area.

- Increasing commercial real estate and business lending while maintaining conservative loan underwriting standards. The largest increase in the Bank's loan portfolio balance in recent years has been to the growth in the commercial loan portfolio. Both Standard and Allegheny Valley were pursuing strategies to expand commercial lending prior to the merger. Commercial real estate and business loans totaled approximately \$357.1 million, or 47.5% of the gross loan portfolio at December 31, 2017. In growing the commercial loan portfolio, the Bank has emphasized maintaining strong asset quality by following conservative loan underwriting guidelines. All commercial loans are underwritten in a central location in the Lawrenceville office to ensure uniformity and consistency in underwriting decisions.

- Expanding the product mix and capacity to sell residential loans in the secondary mortgage market. The Bank is in the process of expanding its offerings of residential lending products to include more saleable government sponsored loans (e.g. USDA, FHA, PHFA and VA). These loans, which generally have longer terms and fixed rates, can be originated and sold to avoid increasing the Bank's interest rate risk exposure while establishing customer deposit and other relationships.

- Emphasizing core deposits by attracting new customers and enhancing existing customer relationships. In an effort to grow the banking franchise, the Bank has enhanced direct marketing efforts to local businesses and consumers and established a stronger culture of cross-selling products to existing customers. In addition, a comprehensive strategy has been developed to attract and retain deposits by offering enhanced technology, such as mobile and online banking, remote check deposit, People Pay and remote deposit capture, with a consistent emphasis on quality customer service.

- Rationalizing delivery channels as customer preferences evolve. Standard currently operates seventeen community banking offices. A program is in place to evaluate all existing locations as well as digital and web-based service delivery options. The objective is to ensure an efficient service delivery system that balances the use of technology and personal customer service. The Bank also evaluates additional community banking office expansion opportunities, primarily through purchases of offices, to enhance its presence in its current market and adjacent areas.

- Pursuing future expansion and whole-bank acquisitions, although there are no current arrangements or agreements with respect to any such acquisitions. Standard intends to evaluate acquisitions of other financial institutions on an on-going basis as industry consolidation continues, strategic transactions are identified and other opportunities present

themselves.

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies.

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Allowance for Loan Losses. We maintain an allowance for loan losses in an amount we believe is appropriate to absorb probable losses inherent in the portfolio at a balance sheet date. Management's periodic determination of the adequacy of the allowance is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans and actual loss experience, current economic events in relevant industries and other pertinent factors such as regulatory guidance and general economic conditions. However, this evaluation is inherently subjective, as it requires an estimate of the loss content for each risk rating and for each impaired loan, an estimate of the amounts and timing of expected future cash flows, and an appraisal or other estimate of the value of collateral on impaired loans and estimated losses on pools of homogenous loans based on the balance of loans in each loan category, changes in the inherent credit risk due to portfolio growth, historical loss experience and consideration of current economic trends. Based on our estimate of the level of allowance for loan losses required, we record a provision for loan losses to maintain the allowance for loan losses at an appropriate level.

The determination of the allowance for loan losses is based on management's current judgments about the loan portfolio credit quality and management's consideration of all known relevant internal and external factors that affect loan collectability, as of the reporting date. We cannot predict with certainty the amount of loan charge-offs that will be incurred. We do not currently determine a range of loss with respect to the allowance for loan losses. In addition, various banking regulatory agencies, as an integral part of their examination processes, periodically review our allowance for loan losses. Such agencies may require that we recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Accordingly, actual results could differ from those estimates.

Other-Than-Temporary Impairment. In estimating other-than-temporary impairment of investment securities, securities are evaluated periodically, and at least quarterly, to determine whether a decline in their value is other than temporary. We consider numerous factors when determining whether potential other-than-temporary impairment exists and the period over which a debt security is expected to recover. The principal factors considered are (1) the length of time and the extent to which the fair value has been less than the amortized cost basis, (2) the financial condition of the issuer (and guarantor, if any) and adverse conditions specifically related to the security, industry or geographic area, (3) failure of the issuer of the security to make scheduled interest or principal payments, (4) any changes to the rating of a security by a rating agency, and (5) the presence of credit enhancements, if any, including the guarantee of the federal government or any of its agencies.

For debt securities, other-than-temporary impairment is considered to have occurred if (1) we intend to sell the security, (2) it is more likely than not we will be required to sell the security before recovery of its amortized cost basis, or (3) if the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. In determining the present value of expected cash flows, we discount the expected cash flows at the effective interest rate implicit in the security at the date of acquisition or, for debt securities that are beneficial interests in securitized financial assets, at the current rate used to accrete the beneficial interest. In estimating cash flows expected to be collected, we use available information with respect to security prepayment speeds, expected deferral rates and severity, whether subordinated interests, if any, are capable of absorbing estimated losses and the value of any underlying collateral.

Deferred Tax Assets. We use an estimate of future earnings to support our position that the benefit of our deferred tax assets will be realized. If future income should prove non-existent or less than the amount of the deferred tax assets within the tax years to which they may be applied, the asset may not be realized and our net income will be reduced.

Goodwill and Other Intangible Assets. We must assess goodwill and other intangible assets for impairment. This assessment involves estimating the fair value of our reporting units. If the fair value of the reporting unit is less than its carrying value including goodwill, we would be required to take a charge against earnings to write down the assets to the lower value.

Pension Plan. The Bank maintains a noncontributory defined benefit pension plan covering employees whose benefits were frozen effective August 1, 2005. No future benefits are accrued, however the plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Bank.

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Balance Sheet Analysis: December 31, 2017 and December 31, 2016

General. The Company's total assets at December 31, 2017 were \$972.6 million compared to \$488.0 million at December 31, 2016, an increase of \$484.6 million, or 99.3%, due primarily to the acquisition of Allegheny Valley. Cash and Cash Equivalents. Cash and cash equivalents increased \$5.7 million, or 54.6%, to \$16.3 million at December 31, 2017 from \$10.5 million at December 31, 2016, due primarily to the acquisition of Allegheny Valley. Cash from customers into deposit accounts, loan and security repayments and proceeds from borrowed funds typically increase these accounts. Decreases result from customer withdrawals, new loan origination, purchases of investment securities and repayment of borrowed funds.

Investment and Mortgage-Backed Securities. Investments and mortgage-backed securities available for sale increased \$72.5 million, or 119.5%, to \$133.2 million at December 31, 2017 from \$60.7 million at December 31, 2016. The increase in the securities portfolio includes \$95.9 million of securities acquired from Allegheny Valley.

Investment and Mortgage-Backed Securities Composition. The composition of the investment and mortgage-backed securities portfolio is summarized in the following table. At December 31, 2017 and December 31, 2016, all of our investment and mortgage-backed securities were classified as available for sale and recorded at current fair value.

(Dollars in thousands)	At December 31, 2017		2016		At September 30, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Municipal obligations	\$ 49,988	\$ 50,777	\$ 29,437	\$ 29,326	\$ 28,675	\$ 29,545
U.S. government and agency obligations	8,334	8,340	9,000	8,934	10,000	10,027
Corporate bonds	2,276	2,272	2,534	2,525	2,539	2,534
Mortgage-backed securities:						
Ginnie Mae pass through certificates	17,416	17,291	5,129	5,093	5,695	5,715
Fannie Mae pass through certificates	16,078	16,145	5,403	5,478	5,806	6,017
Freddie Mac pass through certificates	12,510	12,537	5,520	5,521	6,051	6,164
Collateralized mortgage obligations	7,277	7,159	1,571	1,556	1,663	1,670
Private pass through certificates	14,603	14,498	85	85	87	87
Equity securities	3,647	4,170	2,050	2,163	2,052	2,144
Total securities	\$ 132,129	\$ 133,189	\$ 60,729	\$ 60,681	\$ 62,568	\$ 63,903

During the year ended December 31, 2017, securities purchased of \$46.9 million were offset by \$53.0 million in securities sales and \$17.8 million in securities maturities, calls and repayments. For the year ended December 31, 2017, there was a net realized loss of \$323,000 on the sale of securities. During the 4th quarter of 2017, the Company made a strategic decision to sell a number of securities at a loss to take advantage of the higher tax deduction available for 2017.

At December 31, 2017 and December 31, 2016, the Company held 58 securities and 29 securities in unrealized loss positions of \$564,000 and \$900,000, respectively. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. Additionally, at December 31, 2017, the reduction in the federal corporate tax rate had a negative impact on the fair value of tax-exempt municipal obligations. 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 analysis, the Company considers all of the unrealized losses to be temporary impairment losses. Investment and Mortgage-Backed Securities Maturities and Yields. The maturities and weighted average yields of the investment and mortgage-backed securities portfolio at December 31, 2017 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not

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reflect the impact of prepayments or early redemptions that may occur. State and municipal securities yields have not been adjusted to a tax-equivalent basis.

(Dollars in thousands)	Due 1 Year or Less		Due 1 – 5 Years		Due 5 – 10 Years		Due Over 10 Years		Total
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	
Municipal obligations	\$ —	—	\$ 8,702	3.66%	\$ 25,803	2.75%	\$ 15,483	2.67%	\$ 4
U.S. government and agency obligations	—	—	7,400	2.16%	934	2.92%	—	—	8
Corporate bonds	—	—	2,276	1.88%	—	—	—	—	2
Mortgage-backed securities:									
Ginnie Mae pass through certificates	—	—	—	—	—	—	17,416	2.25%	1
Fannie Mae pass through certificates	—	—	—	—	2,369	2.86%	13,709	2.62%	1
Freddie Mac pass through certificates	—	—	—	—	571	2.06%	11,939	2.69%	1
Collateralized mortgage obligations	—	—	—	—	—	—	7,277	2.41%	7
Private pass through certificates	—	—	—	—	155	0.87%	14,448	1.98%	1
Equity securities	3,647	3.08%	—	—	—	—	—	—	3
Total	\$ 3,647	—	\$ 18,378	2.84%	\$ 29,832	2.74%	\$ 80,272	2.43%	\$ 1

Loans. At December 31, 2017, net loans were \$747.0 million, or 76.8% of total assets, compared to \$381.5 million, or 78.2% of total assets at December 31, 2016. The \$365.5 million, or 95.8%, increase in total loans was due to the merger with Allegheny Valley, as well as net organic loan growth. The acquisition resulted in a net increase in loans receivable of \$311.7 million on April 7, 2017. Organic loan growth amounted to a net increase of \$54.6 million during the year ended December 31, 2017. Included in the total increase to loans receivable as of December 31, 2017 were increases in 1-4 family residential and construction loans, commercial real estate loans, commercial business loans and home equity loans and lines of credit of \$87.0 million or 49.8%, \$184.3 million or 157.9%, \$40.6 million or 262.0% and \$53.0 million or 68.0%, respectively.

Loan Portfolio Composition. The following table summarizes the composition of our loan portfolio at the dates indicated, excluding loans held for sale.

(Dollars in thousands)	December 31,		September 30,		
	2017	2016	2016	2015	2014
One-to-four family residential and construction	\$ 261,715	\$ 174,740	\$ 167,512	\$ 148,694	\$ 126,362

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Commercial real estate	300,997	116,691	119,879	114,203	102,643
Home equity loans and lines of credit	130,915	77,913	79,157	82,254	74,414
Commercial business	56,122	15,505	14,779	12,035	12,537
Other	1,413	520	553	824	1,313
Total loans	\$ 751,162	\$ 385,369	\$ 381,880	\$ 358,010	\$ 317,269

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Loan Portfolio Maturities. The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2017. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less.

(Dollars in thousands)	December 31, 2017		
	Due Under 1 Year	Due 1 – 5 Years	Due Over 5 Years
One-to-four family residential and construction	\$ 847	\$ 7,900	\$ 252,968
Commercial real estate	16,848	44,676	239,473
Home equity loans and lines of credit	9,168	14,770	106,977
Commercial business	19,832	14,040	22,250
Other	1,065	259	89
Total loans	\$ 47,760	\$ 81,645	\$ 621,757

Fixed and Adjustable Rate Loans. The following table summarizes the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2017.

(Dollars in thousands)	December 31, 2017		
	Due Under 1 Year	Due 1 – 5 Years	Due Over 5 Years
Interest Rates:			
Fixed	\$ 46,499	\$ 68,459	\$ 356,959
Adjustable	1,261	13,186	264,798
Total loans	\$ 47,760	\$ 81,645	\$ 621,757

Bank Owned Life Insurance. We invest in bank owned life insurance to provide us with a funding source for our benefit plan obligations. Bank owned life insurance also generally provides us noninterest income that is non-taxable. Bank owned life insurance increased \$7.0 million, or 46.5%, to \$22.0 million at December 31, 2017, from \$15.0 million at December 31, 2016. The increase was primarily due to the acquisition of Allegheny Valley.

Goodwill. Goodwill represents the excess of the purchase price over the cost of net assets purchased. Goodwill increased \$17.1 million, or 194.6%, to \$25.8 million at December 31, 2017 from \$8.8 million at December 31, 2016. The increase is due to the acquisition of Allegheny Valley.

Deposits. The company accepts deposits primarily from the areas in which our offices are located. We have consistently focused on building broader customer relationships and targeting small business customers to increase our core deposits. We also rely on our customer service to attract and retain deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of savings accounts, certificates of deposit, money market accounts, commercial and regular checking accounts and individual retirement accounts. Interest rates, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements and our deposit growth goals.

Deposits increased \$332.6 million, or 91.8%, to \$694.8 million at December 31, 2017 from \$362.2 million at December 31, 2016. The increase includes \$333.9 million of deposits acquired from Allegheny Valley. In addition, there was an increase of \$4.0 million in certificate of deposit accounts offset by a decrease of \$5.3 million in demand and savings accounts during the year ended December 31, 2017. The increase in certificate of deposit accounts was due primarily to customer preference for longer term certificates of deposits as interest rates have increased.

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The following table summarizes the average balance and weighted average rates of total deposits, by account type, at the dates indicated.

(Dollars in thousands)	Year Ended December 31, 2017		Three Months Ended December 31, 2016		Year Ended September 30, 2016	
	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate
Savings accounts	\$ 141,912	0.13%	\$ 101,495	0.15%	\$ 103,423	0.14%
Certificates of deposit	195,821	1.47%	137,863	1.72%	131,090	1.78%
Money market accounts	81,135	0.31%	27,866	0.33%	18,169	0.24%
Demand and NOW accounts	86,543	0.17%	75,699	0.13%	61,305	0.14%
Total deposits	\$ 505,411	0.69%	\$ 342,923	0.79%	\$ 313,987	0.83%

At December 31, 2017, the scheduled maturities of time deposits in denominations of \$100,000 or more was \$89.5 million. The following table summarizes the maturity of those certificates at December 31, 2017.

(Dollars in thousands)	December 31, 2017
Three months or less	\$ 17,936
Three to six months	12,655
Six to twelve months	4,538
Over twelve months	54,391
Total	\$ 89,520

Borrowings. Our borrowings consist of short-term borrowings and long-term advances from the FHLB. Short-term borrowings were \$27.0 million at December 31, 2017. There were no short-term borrowings at December 31, 2016. Short-term borrowings assumed in the acquisition totaled \$64.6 million. During the year ended December 31, 2017, proceeds from short-term borrowings were \$202.1 million, offset by the repayment of \$239.7 million.

Long-term advances increased \$60.0 million to \$107.7 million at December 31, 2017 from \$47.7 million at December 31, 2016. The increase was due primarily to the extension of the short-term borrowings to longer term advances. During the year ended December 31, 2017, proceeds from FHLB advances were \$83.1 million, partially offset by repayments of \$23.2 million.

The following table summarizes short-term balances and weighted average interest rates at the dates indicated.

(Dollars in thousands)	December 31, 2017	December 31, 2016	September 30, 2016
Balance	\$ 27,021	\$ —	\$ —
Average balance outstanding during the period	\$ 38,565	\$ —	\$ —
Maximum amount outstanding at any month-end	\$ 72,926	\$ —	\$ —
Weighted average interest rate at period end	1.54%	0.00%	0.00%
Average interest rate during the period	1.22%	0.00%	0.00%

Total Stockholders' Equity. Stockholders' equity increased \$61.0 million, or 83.5%, to \$134.0 million at December 31, 2017 from \$73.0 million at December 31, 2016. The increase was due primarily to the issuance of stock as merger consideration for the acquisition of Allegheny Valley. In addition, the net income of \$4.3 million for the year ended December 31, 2017 and the exercise of stock options valued at \$311,000, was partially offset by dividends paid during the year ended December 31, 2017 of \$3.3 million.

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Average Balance and Yields

The following tables set forth average balance sheets, average yields and costs, and certain other information for the years and the periods indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

(Dollars in thousands)	For the Year Ended December 31, 2017			For the Year Ended September 30, 2016		
	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans	\$ 650,600	\$ 26,948	4.14%	\$ 364,284	\$ 14,430	3.96%
Investment and mortgage-backed securities	123,864	3,091	2.50%	65,739	1,613	2.45%
FHLB stock	7,218	384	5.32%	3,391	166	4.90%
Interest earning deposits	13,845	133	0.96%	13,318	34	0.26%
Total interest-earning assets	795,527	30,556	3.84%	446,732	16,243	3.64%
Noninterest-earning assets	56,765			30,967		
Total assets	\$ 852,292			\$ 477,699		
Interest-bearing liabilities:						
Savings accounts	\$ 141,912	185	0.13%	\$ 103,423	146	0.14%
Certificates of deposit	195,821	2,880	1.47%	131,090	2,328	1.78%
Money market accounts	81,135	255	0.31%	18,169	44	0.24%
Demand and NOW accounts	86,543	151	0.17%	61,305	86	0.14%
Total interest-bearing deposits	505,411	3,471	0.69%	313,987	2,604	0.83%
Federal Home Loan Bank borrowings	104,604	1,601	1.53%	55,590	842	1.51%
Securities sold under agreements to repurchase	4,532	4	0.09%	2,004	2	0.10%
Total interest-bearing liabilities	614,547	5,076	0.83%	371,581	3,448	0.93%
Noninterest-bearing deposits	116,461			29,961		
Noninterest-bearing liabilities	4,007			2,715		
Total liabilities	735,015			404,257		
Stockholders' equity	117,277			73,442		
Total liabilities and stockholders' equity	\$ 852,292			\$ 477,699		
Net interest income		\$ 25,480			\$ 12,795	
Net interest rate spread(1)			3.01%			2.71%
Net interest-earning	\$ 180,980			\$ 75,151		

assets(2)

Net interest margin(3)		3.20%	2.86%
Average interest-earning assets to interest-bearing liabilities	129.45%	120.22%	

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

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

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

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(Dollars in thousands)	For the Three Months Ended December 31,					
	2016			2015		
	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans	\$ 382,186	\$ 3,726	3.90%	\$ 354,775	\$ 3,553	4.01%
Investment and mortgage-backed securities	62,406	361	2.31%	69,187	453	2.62%
FHLB stock	3,213	36	4.48%	3,506	43	4.91%
Interest-earning deposits	12,180	10	0.33%	8,786	1	0.05%
Total interest-earning assets	459,985	4,133	3.59%	436,254	4,050	3.71%
Noninterest-earning assets	30,999			28,906		
Total assets	\$ 490,984			\$ 465,160		
Interest-bearing liabilities:						
Savings accounts	\$ 101,495	37	0.15%	\$ 104,805	37	0.14%
Certificates of deposit	137,863	593	1.72%	123,927	568	1.83%
Money market accounts	27,866	23	0.33%	8,907	2	0.09%
Demand and NOW accounts	75,699	25	0.13%	66,054	20	0.12%
Total interest-bearing deposits	342,923	678	0.79%	303,693	627	0.83%
Federal Home Loan Bank borrowings	48,288	200	1.66%	58,680	204	1.39%
Securities sold under agreements to repurchase	1,949	1	0.21%	1,657	1	0.24%
Total interest-bearing liabilities	393,160	879	0.89%	364,030	832	0.91%
Noninterest-bearing deposits	22,185			22,939		
Noninterest-bearing liabilities	2,601			3,334		
Total liabilities	417,946			390,303		
Stockholders' equity	73,038			74,857		
Total liabilities and stockholders' equity	\$ 490,984			\$ 465,160		
Net interest income		\$ 3,254			\$ 3,218	
Net interest rate spread(1)			2.70%			2.80%
Net interest-earning assets(2)	\$ 66,825			\$ 72,224		
Net interest margin(3)			2.83%			2.95%
Average interest-earning assets to interest-bearing liabilities	117.00%			119.84%		

(1)

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

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

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

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Rate/Volume Analysis

The following tables present the effects of changing rates and volumes on our net interest income for the years and periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

(Dollars in thousands)	Year Ended December 31, 2017		
	vs.		
	Year Ended September 30, 2016		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest-earning assets:			
Interest-earning deposits	\$ 1	\$ 98	\$ 99
Securities	1,450	28	1,478
Loans receivable	11,831	687	12,518
FHLB stock	202	16	218
Total interest-earning assets	13,484	829	14,313
Interest-bearing liabilities:			
Savings accounts	50	(11)	39
Certificates of deposit	1,003	(451)	552
Money market accounts	194	17	211
Demand and NOW accounts	42	23	65
Federal Home Loan Bank advances	750	9	759
Securities sold under agreements to repurchase	2	—	2
Total interest-bearing liabilities	2,041	(413)	1,628
Change in net interest income	\$ 11,443	\$ 1,242	\$ 12,685

(Dollars in thousands)	Three Months Ended		
	December 31, 2016		
	vs.		
	Three Months Ended		
	December 31, 2015		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest-earning assets:			
Interest-earning deposits	\$ —	\$ 9	\$ 9
Securities	(42)	(50)	(92)
Loans receivable	269	(96)	173
FHLB stock	(3)	(4)	(7)
Total interest-earning assets	224	(141)	83
Interest-bearing liabilities:			
Savings accounts	(1)	1	—

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Certificates of deposit	61	(36)	25
Money market accounts	9	12	21
Demand and NOW accounts	3	2	5
Federal Home Loan Bank advances	(39)	35	(4)
Securities sold under agreements to repurchase	—	—	—
Total interest-bearing liabilities	33	14	47
Change in net interest income	\$ 191	\$ (155)	\$ 36

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Comparison of Operating Results for the Years Ended December 31, 2017 and September 30, 2016

General. Net income for the year ended December 31, 2017 was \$4.3 million, or \$1.08 per share, compared to \$3.0 million, or \$1.26 per share, for the fiscal year ended September 30, 2016. Return on average assets and average equity were 0.51% and 3.69%, respectively, for the year ended December 31, 2017 compared to 0.64% and 4.13%, respectively, for the fiscal year ended September 30, 2016.

Net Interest Income. Net interest income increased \$12.7 million, or 99.1%, to \$25.5 million for the year ended December 31, 2017 from \$12.8 million for the fiscal year ended September 30, 2016. Our net interest rate spread and net interest margin were 3.01% and 3.20%, respectively for the year ended December 31, 2017 compared to 2.71% and 2.86% for the fiscal year ended September 30, 2016.

Interest and Dividend Income. Total interest and dividend income of \$30.6 million for the year ended December 31, 2017 increased \$14.3 million, or 88.1%, compared to the fiscal year ended September 30, 2016. The increase was primarily due to the increase in the average balance of interest-earning assets by \$348.8 million, or 78.1%, to \$795.5 million for the year ended December 31, 2017 from \$446.7 million due primarily to the merger with Allegheny Valley in April 2017. Additionally, the average yield on interest-earning assets increased to 3.84% for the year ended December 31, 2017 from 3.64% for the fiscal year ended September 30, 2016. The average yield on all categories of interest earning assets increased from the previous fiscal year due to the rising interest rate environment.

Interest income on loans increased \$12.5 million, or 86.8%, to \$26.9 million for the year ended December 31, 2017 from \$14.4 million for fiscal year ended September 30, 2016. The average yield on loans receivable increased to 4.14% for the year ended December 31, 2017 from 3.96% for the fiscal year ended September 30, 2016. The increase in the average yield on loans was primarily attributable to loans acquired through the merger with Allegheny Valley having a higher average rate than the loans in the Standard portfolio, variable rate loans adjusting upward as prime and short-term interest rates increased and new loans being originated at higher interest rates during the year. Average loans receivable increased by \$286.3 million, or 78.6%, to \$650.6 million for the year ended December 31, 2017 from \$364.3 million for the fiscal year ended September 30, 2016 due mainly to the loans acquired through the merger with Allegheny Valley.

Interest income on investment and mortgage-backed securities increased by \$1.5 million, or 91.6%, to \$3.1 million for the year ended December 31, 2017 from \$1.6 million for the fiscal year ended September 30, 2016. The increase was primarily the result of an increase in the average balance of investment and mortgage-backed securities of \$58.1 million, or 88.4%, to \$123.9 million for the year ended December 31, 2017 compared to \$65.7 million for the fiscal year ended September 30, 2016 due to the merger with Allegheny Valley. The average yield earned on investments and mortgage-backed securities increased by 5 basis points to 2.50% for the year ended December 31, 2017 compared to 2.45% for the fiscal year ended September 30, 2016.

Interest Expense. Total interest expense increased by \$1.6 million, or 47.2%, to \$5.1 million for the year ended December 31, 2017 from \$3.4 million for the fiscal year ended September 30, 2016. The increase was primarily the result of an increase in the average interest-bearing liabilities of \$243.0 million, or 65.4%, to \$614.5 million for the year ended December 31, 2017 from \$371.6 million for the fiscal year ended September 30, 2016 due mainly to the interest-bearing liabilities acquired through the merger with Allegheny Valley. This increase in interest expense resulting from the higher average balance was partially offset by a decrease in the average cost of interest-bearing liabilities from 0.93% to 0.83%.

Interest expense on deposits increased by \$867,000, or 33.3%, to \$3.5 million for the year ended December 31, 2017 from \$2.6 million for the fiscal year ended September 30, 2016. The increase was primarily the result of an increase in the average balance of deposits of \$191.4 million, or 61.0%, for the year ended December 31, 2017 compared to the fiscal year ended September 30, 2016 primarily due to the merger with Allegheny Valley. Partially offsetting the impact of the higher average balance was a decrease in the average cost of interest-bearing deposits from 0.83% for the fiscal year ended September 30, 2016 to 0.69% for the year ended December 31, 2017 resulting from the lower average rates paid on the certificates of deposit and savings accounts acquired as well as certificates maturing and being replaced by lower yielding certificate products.

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Interest expense on FHLB borrowings increased \$759,000, or 90.1%, to \$1.6 million for the year ended December 31, 2017 from \$842,000 for the fiscal year ended September 30, 2016. The average balance of FHLB borrowings increased \$49.0 million, or 88.2%, to \$104.6 million for the year ended December 31, 2017 compared to \$55.6 million for the fiscal year ended September 30, 2016. The increase in the average balance was the result of \$75.6 million in new advances obtained during the year and the daily utilization of an overnight line available with the FHLB offset by the principal repayments made during the year. The average cost of borrowings remained almost unchanged at 1.53% for the year ended December 31, 2017 compared to 1.51% for the fiscal year ended September 30, 2016.

Provision for Loan Losses. The provision for loan losses increased by \$412,000, or 392.4%, to \$517,000 for the year ended December 31, 2017 from \$105,000 for the fiscal year ended September 30, 2016 due primarily to the large amount of loan growth during the year. Non-performing loans at December 31, 2017 were \$2.9 million or 0.39% of total loans compared to \$689,000 or 0.18% of total loans at September 30, 2016. The allowance for loan losses to non-performing loans was 141.0% at December 31, 2017 compared to 551.5% at September 30, 2016. Management analyzes the allowance for loan losses as described in the section entitled "Allowance for Loan Losses." The provision that was recorded was sufficient, in management's judgment, to bring the allowance for loan losses to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience. Management believes, to the best of their knowledge, that all known losses as of the balance sheet dates have been recorded.

Noninterest Income. Noninterest income increased \$1.1 million, or 43.4%, to \$3.6 million for the year ended December 31, 2017 compared to the fiscal year ended September 30, 2016. The increase was due mainly to an increase in service fee income of \$937,000 which was partially offset by a decrease in the net securities gains of \$440,000. The decrease in net securities gains was the result of a strategic decision to take advantage of the higher tax deduction in 2017. Other increases in noninterest income included an increase in investment management fees of \$211,000, an increase in net loan sale gains of \$186,000 and an increase in earnings on bank-owned life insurance of \$123,000. The increases in service fee income, investment management fees and bank-owned life insurance were primarily related to the merger with Allegheny Valley.

Noninterest Expense. Noninterest expense increased by \$10.8 million, or 98.3%, to \$21.8 million for the year ended December 31, 2017 compared to the fiscal year ended September 30, 2016. This increase was due primarily to an increase in compensation and employee benefit expenses of \$4.0 million, or 61.2%, which resulted from additional staffing from the merger with Allegheny Valley. Additionally, there was an increase in merger related expenses of \$2.4 million and an increase in other operating expenses of \$2.4 million. The increases in both of those items were also primarily related to the merger with Allegheny Valley.

Income Tax Expense. The provision for income taxes for the year ended December 31, 2017 was \$2.5 million (effective tax rate of 36.3%) compared to \$1.2 million (effective tax rate of 28.2%) for the fiscal year ended September 30, 2016. This increase in income tax expense was due in part to a \$2.6 million, or 60.6%, increase in income before income tax expense. Additionally, as a result of the Tax Cuts and Jobs Act, enacted on December 22, 2017, the carrying value of net deferred tax assets was reduced, which increased income tax expense by \$387,000.

Comparison of Operating Results for the Three Months Ended December 31, 2016 and 2015

General. Net income for the quarter ended December 31, 2016 was \$559,000 compared to \$866,000 for the quarter ended December 31, 2015, a decrease of \$307,000, or 35.4%. The decrease was primarily due to merger related expenses of \$307,000 and a higher provision for loan losses of \$40,000.

Net Interest Income. Net interest income was \$3.3 million for the quarter ended December 31, 2016 compared to \$3.2 million for the quarter ended December 31, 2015. Our net interest rate spread and net interest margin were 2.70% and 2.83%, respectively for the three months ended December 31, 2016 compared to 2.80% and 2.95% for the same periods in the prior year. The decrease in the net interest rate spread and net interest rate margin was the result of the yield on interest-earning assets declining more rapidly than the cost of interest-bearing liabilities.

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Interest and Dividend Income. Total interest and dividend income increased by \$83,000, or 2.0%, to \$4.1 million for the three months ended December 31, 2016 compared to the same period in the prior year. The increase was due to an increase in the average balance of interest earning assets of \$23.7 million, partially offset by a decline in the average yield on interest-earning assets of 12 basis points. Average interest-earning assets increased to \$460.0 million for the three months ended December 31, 2016 from \$436.3 million for the same period in 2015. The average yield on interest-earning assets decreased to 3.59% for the three months ended December 31, 2016 from 3.71% for the same period in the prior year.

Interest income on loans increased \$173,000, or 4.9%, to \$3.7 million for the three months ended December 31, 2016. The average yield on loans receivable decreased to 3.90% for the three months ended December 31, 2016 from 4.01% for the same period in the prior year. The decrease in average yield was primarily attributable to the origination of new loans in a generally lower interest rate environment and repayment/refinance of higher rate loans. Average loans receivable increased by \$27.4 million, or 7.7%, to \$382.2 million for the three months ended December 31, 2016 from \$354.8 million for the same period in the prior year due mainly to an increase in originations of one-to-four family residential and commercial loans.

Interest income on investment and mortgage-backed securities decreased by \$92,000, or 20.3%, to \$361,000 for the three months ended December 31, 2016 from \$453,000 for the same period in the prior year. The decrease was due to a decline in the average balance of investment and mortgage backed securities of \$6.8 million or 9.8% to \$62.4 million for the three months ended December 31, 2016 compared to the prior period due to calls and maturities of municipals and government agency bonds. In addition, the average yield earned on investments and mortgage-backed securities decreased to 2.31% for the three months ended December 31, 2016 from 2.62% for the same period in the prior year.

Interest Expense. Total interest expense increased by \$47,000, or 5.7%, to \$879,000 for the three months ended December 31, 2016 from \$832,000 for the same period in the prior year. This increase in interest expense was due to an increase in the average balance of interest-bearing liabilities of \$29.1 million, or 8.0%, to \$393.2 million for the three months ended December 31, 2016 from \$364.0 million for the same period in the prior year, offset by a decrease in the average cost of interest-bearing liabilities to 0.89% for the three months ended December 31, 2016 from 0.91% for the same prior year period.

Interest expense on deposits increased by \$51,000, or 8.1%, to \$678,000 for the three months ended December 31, 2016 from \$627,000 for the same period in the prior year. The average balance of deposits increased \$39.2 million or 12.9% for the three months ended December 31, 2016, compared to the prior period. The increase is due to net inflows in certificates of deposits as customer preferences from short-term deposits to longer term certificates shifted, and an increase in money market accounts due to a deposit relationship established with the Commonwealth of Pennsylvania. The average cost of deposits decreased by four basis points from 0.83% for the three months ended December 31, 2015 to 0.79% for the three months ended December 31, 2016, due primarily to higher yielding, maturing certificates of deposit being replaced by lower yielding certificate products.

Provision for Loan Losses. A provision for loan losses of \$40,000 was recorded for the three months ended December 31, 2016, compared to no provision recorded for the three months ended December 31, 2015.

Non-performing loans at December 31, 2016 were \$753,000 or 0.20% of total loans and \$658,000 or 0.18% of total loans at December 31, 2015. The provision that was recorded was sufficient, in management's judgment, to bring the allowance for loan losses to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience. See "Non-Performing and Problem Assets" for additional information.

Noninterest Income. Noninterest income increased \$55,000, or 9.0%, to \$664,000 for the three months ended December 31, 2016 from \$609,000 for the same period in the prior year. The increase was due mainly to higher gains from securities sales of \$35,000 and higher net loan sale gains of \$18,000.

Noninterest Expenses. Noninterest expenses increased by \$336,000, or 13.0%, to \$2.9 million for the three months ended December 31, 2016 compared to the same period in 2015. The increase was due primarily to merger-related expenses of \$307,000. Other operating expenses increased \$99,000 to \$469,000 for the quarter ended December 31, 2016. The increase was primarily due to higher expenses relating to foreclosed real estate properties compared to the prior year and gains recognized on the final disposition of the real estate owned properties in the prior year period.

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Income Tax Expense. The Company recorded a provision for income tax of \$394,000 for the three months ended December 31, 2016 compared to \$372,000 for the three months ended December 31, 2015. The effective tax rate was 41.3% for the three months ended December 31, 2016 and 30.0% for the three months ended December 31, 2015. The increase in the effective tax rate is due to a lower level of nontaxable income and certain nondeductible merger-expenses.

Non-Performing and Problem Assets

When a residential mortgage loan, home equity loan or line of credit or consumer loan is past due, the Company sends a late notice and contacts the borrower to inquire as to why the loan is past due. When a loan is 30 days or more past due, we mail a second late notice and attempt additional personal, direct contact with the borrower to determine the reason for the delinquency and establish the procedures by which the borrower will bring the loan current. When the loan is 45 days past due, we explore the customer's situation and repayment options and inspect the collateral. In addition, when a loan reaches 90 days past due, our management determines and recommends to our Board of Directors whether to initiate foreclosure proceedings, which will be initiated by counsel if the loan is not brought current. Procedures for avoiding foreclosure can include restructuring the loan in a manner that provides concessions to the borrower to facilitate payment.

Commercial business loans and commercial real estate loans are generally handled in the same manner as the loans discussed above. Additionally, when a loan is 30 days past due, we contact the borrower, visually inspect the property(ies) and inquire of the principals the status of the loan and what actions are being implemented to bring the loan current. Depending on the type of loan, the borrower's cash flow statements, internal financial statements, tax returns, rent rolls, new or updated independent appraisals, online databases and other relevant information in Bank and third-party loan reviews are analyzed to help determine a course of action. In addition, legal counsel is consulted and an approach for resolution is determined and aggressively pursued.

Loans are generally placed on non-accrual status when payment of principal or interest is 90 days or more delinquent. Loans are also placed on non-accrual status if collection of principal or interest in full is in doubt. When loans are placed on a non-accrual status, unpaid accrued interest is fully reversed, and interest is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. The loan may be returned to accrual status once it is brought current, six months of on-time payments have been received and full payment of principal and interest is expected.

Management evaluates individual loans in all of the commercial segments for possible impairment if the relationship is greater than \$200,000, and if the loan either is in nonaccrual status, risk-rated Substandard or Doubtful, greater than 90 days past due or represents a troubled debt restructuring. Loans are considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. The Company may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectability, while not classifying the loan as impaired if the loan is not a commercial business or commercial real estate loan. 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 mortgage loans for impairment, unless such loan is part of a larger relationship that is impaired, has a classified risk rating, or is a trouble debt restructuring ("TDR").

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The table below sets forth the amounts and categories of our non-performing assets at the dates indicated. At December 31, 2017 and 2016 and September 30, 2016, 2015, and 2014, we had no troubled debt restructurings (loans for which a portion of interest or principal has been forgiven and loans modified at interest rates materially less than current market rates).

(Dollars in thousands)	December 31,		September 30,		2014
	2017	2016	2016	2015	
Non-accrual loans:					
One-to-four family residential and construction	\$ 1,899	\$ 544	\$ 516	\$ 574	\$ 536
Commercial real estate	756	100	100	—	33
Home equity loans and lines of credit	244	101	73	96	50
Commercial business	5	—	—	—	—
Other	3	8	—	5	—
Total nonaccrual loans	2,907	753	689	675	619
Loans past due 90 days and still accruing	19	—	—	—	—
Total non-performing loans	2,926	753	689	675	619
Foreclosed real estate	419	251	281	357	475
Total non-performing assets	\$ 3,345	\$ 1,004	\$ 970	\$ 1,032	\$ 1,094
Ratios:					
Non-accrual loans to total loans	0.39%	0.20%	0.18%	0.19%	0.20%
Non-performing assets to total assets	0.34%	0.21%	0.20%	0.22%	0.25%

Loans in process of foreclosure totaled \$694,000 at December 31, 2017.

Foreclosed Real Estate. Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as foreclosed real estate. When property is acquired, it is recorded at estimated fair value at the date of foreclosure less the cost to sell, establishing a new cost basis. Estimated fair value generally represents the sales price a buyer would be willing to pay on the basis of current market conditions, including normal terms from other financial institutions. Holding costs and declines in estimated fair market value result in charges to expense after acquisition. At December 31, 2017 and 2016 and September 30, 2016, 2015 and 2014, we had foreclosed real estate of \$419,000 and \$251,000 and \$281,000, \$357,000 and \$475,000, respectively. Foreclosed real estate at December 31, 2017 consisted of 3 residential properties.

Classification of Assets. Management uses a nine-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first five categories are considered not criticized, and are aggregated as “Pass” rated. The criticized rating categories utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently performing 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 collection 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. Any loan that has a specific allocation of the allowance for loan losses and is in the process of liquidation of the collateral is placed in the Doubtful category. Any portion of a loan that has been charged off is placed in the Loss category.

The following table sets forth our amounts of classified and criticized assets (classified assets plus loans designated as special mention) at December 31, 2017.

December 31,
2017

Classified assets:

Substandard \$ 2,955

Doubtful	—
Loss	—
Total classified assets	2,955
Special mention	5,528
Total criticized assets	\$ 8,483

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Allowance for Loan Losses

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.

The Bank’s methodology for determining the ALL is based on the requirements of ASC Section 310-10-35 for loans individually evaluated for impairment (discussed above) and ASC Subtopic 450-20 for loans collectively evaluated for impairment, as well as the Interagency Policy Statements on the Allowance for Loan and Lease Losses and other bank regulatory guidance. The total of the two components represents the Bank’s ALL.

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

Management has identified a number of additional qualitative factors which it uses to supplement the historical charge-off factor because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The additional factors are evaluated using information obtained from internal, regulatory, and governmental sources such as national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volumes and terms of loans; effects of changes in lending policies; experience, depth and ability of management; 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. Any future recoveries are credited back to the ALL. Management utilizes an internally developed spreadsheet to track and apply the various components of the allowance.

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. In addition, federal regulatory agencies, as an integral part of their examination process, periodically review the Bank’s allowance for loan losses and may require the Bank to make changes to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to Management. Based on Management’s comprehensive analysis of the loan portfolio, they believe the current level of the allowance for loan losses is adequate.

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The table below presents information regarding the activity in our allowance for loan losses for each of the periods presented.

	For the Year Ended	For the Three Months Ended	For the Year Ended September 30,		
	December 31,				
(Dollars in thousands)	2017	2016	2016	2015	2014
Balance at beginning of year	\$ 3,837	\$ 3,800	\$ 3,879	\$ 3,919	\$ 3,875
Provision charged to operating expenses	517	40	105	—	—
Recoveries of loans previously charged-off:					
One-to-four family residential and construction	28	—	8	74	1
Commercial real estate	1	1	7	6	6
Home equity loans and lines of credit	—	—	9	9	4
Commercial business	3	—	18	190	365
Other	7	—	7	—	7
Total recoveries	39	1	49	279	383
Loans charged-off:					
One-to-four family residential and construction	(185)	—	(70)	(162)	(76)
Commercial real estate	—	—	(93)	(9)	—
Home equity loans and lines of credit	(51)	—	(4)	(70)	(43)
Commercial business	(1)	—	(43)	(54)	(191)
Other	(29)	(4)	(23)	(24)	(29)
Total charge-offs	(266)	(4)	(233)	(319)	(339)
Net charge-offs	(227)	(3)	(184)	(40)	44
Balance at end of year	\$ 4,127	\$ 3,837	\$ 3,800	\$ 3,879	\$ 3,919
Net charge-offs to average loans outstanding	0.03%	0.00%	0.05%	0.01%	-0.01%
Allowance for loan losses to total loans at year-end	0.55%	1.00%	1.00%	1.10%	1.24%

The allowance for loan losses at December 31, 2017 represented 0.55% of total loans, compared to 1.00% at both December 31, 2016 and September 30, 2016. The decrease in the allowance ratio was primarily the result of acquiring loans that are carried at fair value and do not currently have an associate allowance. As of December 31, 2017, the acquired loans that were excluded from the allowance calculation totaled \$285.8 million, compared with \$0 at both December 31, 2016 and September 30, 2016, respectively. Excluding the acquired loans from the total loan balance, the allowance was 0.89% at December 31, 2017.

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Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

(Dollars in thousands)	December 31, 2017		December 31, 2016		September 30, 2016		September 30, 2015		September
	Amount	Percent of Loans in Each Category to Total	Amount	Percent of Loans in Each Category to Total	Amount	Percent of Loans in Each Category to Total	Amount	Percent of Loans in Each Category to Total	Amount
One-to-four family residential and construction	\$ 1,384	34.8%	\$ 1,280	45.4%	\$ 1,250	43.9%	\$ 1,122	40.5%	\$ 1,111
Commercial real estate	2,003	40.1%	1,787	30.3%	1,786	31.4%	1,867	32.5%	1,777
Home equity loans and lines of credit	400	17.4%	547	20.2%	547	20.7%	457	23.4%	418
Commercial business	333	7.5%	211	4.0%	211	3.9%	411	3.4%	595
Other	7	0.2%	12	0.1%	6	0.1%	22	0.2%	26
Total	\$ 4,127	100.0%	\$ 3,837	100.0%	\$ 3,800	100.0%	\$ 3,879	100.0%	\$ 3,917

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations. Our primary sources of funds consist of deposit inflows, loan repayments and sales, advances from the Federal Home Loan Bank of Pittsburgh, repurchase agreements and maturities, principal repayments and the sale of available-for-sale securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. Our Asset/Liability Management Committee, under the direction of our Chief Financial Officer, is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we have enough sources of liquidity to satisfy our short- and long-term liquidity needs as of December 31, 2017.

We regularly monitor and adjust our investments in liquid assets based upon our assessment of:

- expected loan demand;
- expected deposit flows and borrowing maturities;
- yields available on interest-earning deposits and securities; and
-

the objectives of our asset/liability management program.

Our most liquid assets are cash and cash equivalents. The level of these assets is dependent on our operating, financing, lending and investing activities during any given period. At December 31, 2017, cash and cash equivalents totaled \$16.3 million. Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Consolidated Statements of Cash Flows included in our Consolidated Financial Statements. At December 31, 2017, we had \$116.7 million in loan commitments outstanding, \$52.7 million of which were for commercial loans and lines and \$510,000 of which were for one- to four-family loans. Additionally, we had \$30.3 million in unused home equity lines of credit to borrowers and \$7.1 million in undisbursed funds for construction loans in process. Certificates of deposit due within one year of December 31, 2017 totalled \$73.9 million, or 10.6% of total deposits. If these deposits do not remain with us, we may be required to seek other sources of funds, including loan and securities sales, repurchase agreements and FHLB advances. We believe, however, based on historical experience and current market interest rates, we will retain upon maturity a large portion of our certificates of deposit with maturities of one year or less.

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Our primary investing activities include originating loans and purchasing investment securities. During the year ended December 31, 2017 and the fiscal year ended September 30, 2016, we had net increases in loans of \$54.6 million and \$30.8 million, respectively. During these years, we purchased \$46.9 million and \$20.3 million of securities, respectively.

Financing activities generally consist of activity in deposit accounts and FHLB advances. We experienced a net decrease in deposits of \$1.3 million during the year ended December 31, 2017, excluding the merger activity, and a net increase in deposits of \$37.4 million during the fiscal year ended September 30, 2016. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors. During the fiscal year ended September 30, 2016, the Bank opened a \$15 million deposit relationship with the Commonwealth of Pennsylvania. Funds totaling \$4.1 million were used during the fiscal year ended September 30, 2016 to repurchase shares of our common stock under the stock repurchase program. There were no shares repurchased during the year ended December 31, 2017.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the FHLB, which provides an additional source of funds. There was a net increase in FHLB advances of \$60.0 million for the year ended December 31, 2017 compared to net repayments of \$7.3 million during the fiscal year ended September 30, 2016. Additionally, during the year ended December 31, 2017, the Bank began utilizing overnight borrowing from the FHLB. There were net repayments of \$37.6 million for the year as the Bank elected to term out some of the overnight funding. At December 31, 2017, we had the ability to borrow up to an additional \$286.9 million from the FHLB.

Standard Bank is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At December 31, 2017, Standard Bank exceeded all regulatory capital requirements. Standard Bank is considered “well capitalized” under regulatory guidelines. See “Item 1 Business — Supervision and Regulation — Banking Regulation — Capital Requirements” Note 10 of the Notes to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

In the normal course of business, the Company extends credit in the form of various financial instruments with off-balance-sheet risks. 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 uses the same credit policies in making commitments for off-balance sheet financial instruments as it does for on-balance sheet instruments. Collateral is generally required to support financial instruments with credit risk and it typically includes real estate property. The Company grants loan commitments at prevailing market rates of interest. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the loan agreement. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. 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 and is limited by subjecting them to credit approval and monitoring procedures. Substantially all commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of the loan funding. Sometimes commitments expire without being drawn upon. Therefore, the total contractual amounts presented do not necessarily represent future funding requirements. At December 31, 2017, the Company had unused commitments totaling \$116.7 million. The Company does not currently participate in any derivative activity for the purpose of managing interest rate sensitivity or risks associated with lending, deposit taking or borrowing activities.

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Impact of Inflation and Changing Prices

Our consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles which require the measurement of financial condition and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our net interest income to changes in market interest rates. Our Board of Directors has established an Asset/Liability Management Committee, which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors.

Historically, we operated as a traditional savings bank. Therefore, the majority of our assets consist of longer-term, fixed rate residential mortgage loans and mortgage backed securities, which we funded primarily with checking and savings accounts and short-term borrowings. In an effort to improve our earnings and to decrease our exposure to interest rate risk, we generally sell fixed rate residential loans with terms over 15 years. In addition, we have shifted our focus to originating more commercial real estate loans, which generally have shorter maturities than one- to four-family residential mortgage loans, and are usually originated with adjustable interest rates.

In addition to the above strategies with respect to our lending activities, we have used the following strategies to reduce our interest rate risk:

- increasing our personal and business checking accounts, which are less rate-sensitive than certificates of deposit and which provide us with a stable, low-cost source of funds;
- repaying short-term borrowings; and
- maintaining relatively high levels of capital.

We have not conducted hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

In addition, changes in interest rates can affect the fair values of our financial instruments. During the year ended December 31, 2017 and the fiscal year ended September 30, 2016, low market interest rates were the primary factors in the increases in the fair values of our loans, deposits and Federal Home Loan Bank advances. For additional information, see Note 15 to the Notes to our Consolidated Financial Statements.

Net Portfolio Value. The table below sets forth, as of December 31, 2017, the estimated changes in our net portfolio value (“NPV”) that would result from the designated instantaneous changes in the interest rate yield curve. The NPV is the difference between the present value of an institution’s assets and liabilities (the institution’s NPV) would change in the event of a range of assumed changes in market interest rates. The simulation model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value.

Historically, the model estimated the economic value of each type of asset, liability and off-balance sheet contract using the current interest rate yield curve with instantaneous increases or decreases of 100 to 300 basis points in 100 basis point increments. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest

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rates from 3% to 4% would mean, for example, a 100 basis point increase in the “Change in Interest Rates” column below. Given the current relatively low level of market interest rates, an NPV calculation for an interest rate decrease of greater than 100 basis points has not been prepared.

(Dollars in thousands)	Net Portfolio Value(2)			Net Interest Income			
	Change in Interest Rates (basis points)	Estimated NPV(1)	Estimated Increase (Decrease)	Estimated Net Interest Income(1)	Estimated Increase (Decrease)	Amount	Percent
Amount			Percent		Amount		
December 31, 2017							
+300	\$ 133,568	\$ (22,885)	(14.63)%	\$ 26,168	\$ (3,482)		(11.75)%
+200	\$ 144,424	\$ (12,029)	(7.69)%	\$ 27,478	\$ (2,172)		(7.33)%
+100	\$ 153,706	\$ (2,747)	(1.76)%	\$ 28,732	\$ (918)		(3.10)%
0	\$ 156,453	\$ —	—%	\$ 29,650	\$ —		—%
-100	\$ 142,348	\$ (14,105)	(9.02)%	\$ 28,409	\$ (1,241)		(4.18)%

(1)

Assumes an instantaneous and parallel shift in interest rates at all maturities.

(2)

NPV, also referred to as economic value of equity, is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

Certain shortcomings are inherent in the methodologies used in determining interest rate risk through changes in net portfolio value. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs, or loan repayments and deposit decay, respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assume that a particular change in interest rates is reflected across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

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ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Standard AVB Financial Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Standard AVB Financial Corp. and subsidiaries (the "Company") as of December 31, 2017 and 2016, and September 30, 2016; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years ended December 31, 2017, and September 30, 2016, and the transition period for the three months ended December 31, 2016; and the related notes to the consolidated financial statements (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and September 30, 2016, and the results of its operations and its cash flows for each of the years in the period ended December 31, 2017, and September 30, 2016, and the transition period for the three months ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2008.

Cranberry Township, Pennsylvania

April 2, 2018

S.R. Snodgrass, P.C. • 2009 Mackenzie Way, Suite 340 • Cranberry Township, Pennsylvania 16066 • Phone: 724-934-0344 • Fax: 724-934-0345

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Standard AVB Financial Corp.

Consolidated Statements of Financial Condition

(Dollars in thousands, except per share data)

	December 31, 2017	December 31, 2016	September 30, 2016
ASSETS			
Cash on hand and due from banks	\$ 3,523	\$ 1,924	\$ 1,786
Interest-earning deposits in other institutions	12,742	8,596	16,375
Cash and Cash Equivalents	16,265	10,520	18,161
Investment securities available for sale, at fair value	65,559	42,948	44,250
Mortgage-backed securities available for sale, at fair value	67,630	17,733	19,653
Certificate of deposit	749	500	500
Federal Home Loan Bank stock, at cost	9,468	3,171	3,161
Loans receivable, net of allowance for loan losses of \$4,127, \$3,837 and \$3,800	747,035	381,532	378,080
Loans held for sale	—	—	234
Foreclosed real estate	419	251	281
Office properties and equipment, net	8,191	3,209	3,279
Bank-owned life insurance	22,040	15,044	14,946
Goodwill	25,836	8,769	8,769
Core deposit intangible	3,344	—	—
Accrued interest receivable and other assets	6,064	4,319	3,905
TOTAL ASSETS	\$ 972,600	\$ 487,996	\$ 495,219
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits:			
Demand, savings and club accounts	\$ 482,902	\$ 224,630	\$ 231,378
Certificate accounts	211,944	137,557	137,256
Total Deposits	694,846	362,187	368,634
Federal Home Loan Bank short-term borrowings	27,021	—	—
Federal Home Loan Bank advances	107,652	47,668	48,856
Securities sold under agreements to repurchase	4,240	2,342	1,964
Advance deposits by borrowers for taxes and insurance	782	28	10
Accrued interest payable and other liabilities	4,087	2,781	2,743
TOTAL LIABILITIES	838,628	415,006	422,207
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, 4,790,687, 2,606,725 and 2,585,125 shares outstanding, respectively	48	26	26
Additional paid-in-capital	75,063	16,626	16,071

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Retained earnings	60,172	59,107	58,810
Unearned Employee Stock Ownership Plan (ESOP) shares	(1,839)	(1,992)	(2,031)
Accumulated other comprehensive income (loss)	528	(777)	136
TOTAL STOCKHOLDERS' EQUITY	133,972	72,990	73,012
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 972,600	\$ 487,996	\$ 495,219

See accompanying notes to the consolidated financial statements.

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Standard AVB Financial Corp.

Consolidated Statements of Income

(Dollars in thousands, except per share data)

	Year Ended 12/31/2017	Three Months Ended 12/31/2016	Year Ended 9/30/2016
Interest and Dividend Income			
Loans, including fees	\$ 26,948	\$ 3,726	\$ 14,430
Mortgage-backed securities	1,257	80	423
Investments:			
Taxable	518	72	374
Tax-exempt	1,316	209	816
Federal Home Loan Bank stock	384	36	166
Interest-earning deposits and federal funds sold	133	10	34
Total Interest and Dividend Income	30,556	4,133	16,243
Interest Expense			
Deposits	3,471	678	2,604
Federal Home Loan Bank short-term borrowings	470	—	—
Federal Home Loan Bank advances	1,131	200	842
Securities sold under agreements to repurchase	4	1	2
Total Interest Expense	5,076	879	3,448
Net Interest Income	25,480	3,254	12,795
Provision for Loan Losses	517	40	105
Net Interest Income after Provision for Loan Losses	24,963	3,214	12,690
Noninterest Income			
Service charges	2,569	403	1,632
Earnings on bank-owned life insurance	614	124	491
Net securities gains (losses)	(323)	33	117
Net loan sale gains	256	37	70
Investment management fees	412	56	201
Other income	119	11	32
Total Noninterest Income	3,647	664	2,543
Noninterest Expenses			
Compensation and employee benefits	10,507	1,586	6,520
Data processing	612	117	462
Premises and occupancy costs	2,182	317	1,248
Automatic teller machine expense	439	90	358
Federal deposit insurance	279	39	211
Core deposit amortization	772	—	—
Merger related expenses	3,089	307	709
Other operating expenses	3,943	469	1,498

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Total Noninterest Expenses	21,823	2,925	11,006
Income before Income Tax Expense	6,787	953	4,227
Income Tax Expense			
Federal	2,106	377	930
State	356	17	263
Total Income Tax Expense	2,462	394	1,193
Net Income	\$ 4,325	\$ 559	\$ 3,034
Earnings Per Share:			
Basic earnings per common share	\$ 1.08	\$ 0.23	\$ 1.26
Diluted earnings per common share	\$ 1.05	\$ 0.23	\$ 1.22
Cash dividends paid per common share	\$ 0.77	\$ 0.11	\$ 0.42
Basic weighted average shares outstanding	4,021,942	2,393,328	2,414,449
Diluted weighted average shares outstanding	4,127,318	2,470,797	2,493,256

See accompanying notes to the consolidated financial statements.

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Standard AVB Financial Corp.

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in thousands)

	Year Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended September 30, 2016
Net Income	\$ 4,325	\$ 559	\$ 3,034
Other comprehensive income (loss):			
Change in Unrealized gain (loss) on securities available for sale	788	(1,350)	300
Tax effect	(269)	459	(102)
Reclassification adjustment for security (gains) losses realized in income	323	(33)	(117)
Tax effect	(111)	11	40
Change in pension obligation for defined benefit plan	733	—	(247)
Tax effect	(249)	—	85
Total other comprehensive income (loss)	1,215	(913)	(41)
Total Comprehensive Income (Loss)	\$ 5,540	\$ (354)	\$ 2,993

See accompanying notes to the consolidated financial statements.