Standard AVB Financial Corp.
Form 10-Q
November 14, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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 No. 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 Blvd.

Monroeville, Pennsylvania	**15146**
(Address of Principal Executive Offices)	(Zip Code)

(412) 856-0363

(Registrant's Telephone Number, Including Area Code)

Standard Financial Corp.

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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 x
(Do not check if 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 Exchange Act).

YES ¨ NO x

4,785,563 shares of the Registrant's common stock, par value $0.01 per share, were issued and outstanding as of November 9, 2017.

Standard AVB Financial Corp.

Table of Contents

1

Table of Contents

EXPLANATORY NOTE

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.” (the “Company”). On April 7, 2017, Allegheny Valley merged with and into Standard Financial Corp. Accordingly, the Company is now referred to as “Standard AVB Financial Corp.” This Quarterly Report on Form 10-Q addresses the financial condition and operations of Standard AVB Financial Corp. at and for the three and nine months ended September 30, 2017. The 2017 periods include the acquisition of Allegheny Valley, effective as of the close of business April 7, 2017.

The unaudited consolidated financial statements and other financial information contained in this quarterly report on Form 10-Q should be read in conjunction with the audited financial statements of Standard Financial Corp. at and for the year ended September 30, 2016 contained in the Company’s definitive prospectus dated February 1, 2017 (the “Prospectus”) as filed with the Securities and Exchange Commission pursuant to Securities Act Rule 424(b)(3) on February 3, 2017.

On August 22, 2017, the Company changed its fiscal year end to December 31. As a result, the Company will file its Annual Report on Form 10-K for the period ended December 31, 2017.

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

Standard AVB Financial Corp.

Consolidated Statements of Financial Condition

(Dollars in thousands, except per share data)

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Cash on hand and due from banks	$ 3,307	$ 1,924
Interest-earning deposits in other institutions	16,982	8,596
Cash and Cash Equivalents	20,289	10,520
Investment securities available for sale, at fair value	77,716	42,948
Mortgage-backed securities available for sale, at fair value	63,758	17,733
Certificate of deposit	500	500
Federal Home Loan Bank stock, at cost	8,580	3,171
Loans receivable, net of allowance for loan losses of $3,945 and $3,837	747,334	381,532
Foreclosed real estate	419	251
Office properties and equipment, net	8,307	3,209
Bank-owned life insurance	21,904	15,044
Goodwill	25,985	8,769
Core deposit intangible	3,601	-
Accrued interest receivable and other assets	7,011	4,319
TOTAL ASSETS	$ 985,404	$ 487,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand, savings and club accounts	$ 496,987	$ 224,630
Certificate accounts	214,666	137,557
Total Deposits	711,653	362,187

Federal Home Loan Bank short-term borrowings	25,028	-
Federal Home Loan Bank advances	103,514	47,668
Securities sold under agreements to repurchase	5,948	2,342
Advance deposits by borrowers for taxes and insurance	525	28
Accrued interest payable and other liabilities	5,446	2,781
TOTAL LIABILITIES	852,114	415,006
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, 4,783,023 and 2,606,725 shares outstanding, respectively	48	26
Additional paid-in-capital	75,063	16,626
Retained earnings	59,653	59,107
Unearned Employee Stock Ownership Plan (ESOP) shares	(1,877)	(1,992)
Accumulated other comprehensive income (loss)	403	(777)
TOTAL STOCKHOLDERS' EQUITY	133,290	72,990
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 985,404	$ 487,996

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

Standard AVB Financial Corp.

Consolidated Statements of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
Interest and Dividend Income				
Loans, including fees	$ 7,973	$ 3,673	$ 18,949	$ 10,860
Mortgage-backed securities	386	90	900	290
Investments:				
Taxable	161	81	397	276
Tax-exempt	376	209	953	594
Federal Home Loan Bank stock	150	39	280	123
Interest-earning deposits and federal funds sold	48	9	91	33
Total Interest and Dividend Income	9,094	4,101	21,570	12,176
Interest Expense				
Deposits	963	673	2,503	1,977
Federal Home Loan Bank short-term borrowings	171	-	366	-
Federal Home Loan Bank advances	310	208	690	638
Securities sold under agreements to repurchase	2	-	3	1
Total Interest Expense	1,446	881	3,562	2,616
Net Interest Income	7,648	3,220	18,008	9,560
Provision for Loan Losses	100	105	267	105
Net Interest Income after Provision for Loan Losses	7,548	3,115	17,741	9,455
Noninterest Income				
Service charges	677	406	1,719	1,218
Earnings on bank-owned life insurance	166	124	451	369
Net securities gains	18	26	11	119
Net loan sale gains	64	30	150	51
Investment management fees	80	51	274	152
Other income	8	14	128	42

Total Noninterest Income	1,013	651	2,733	1,951
Noninterest Expenses				
Compensation and employee benefits	3,328	1,552	7,676	4,743
Data processing	230	118	636	350
Premises and occupancy costs	622	319	1,542	955
Automatic teller machine expense	103	99	438	276
Federal deposit insurance	78	40	201	154
Merger related expenses	-	709	3,089	709
Other operating expenses	1,402	457	2,734	1,230
Total Noninterest Expenses	5,763	3,294	16,316	8,417
Income before Income Tax Expense	2,798	472	4,158	2,989
Income Tax Expense (Benefit)				
Federal	806	(39)	1,013	602
State	56	110	261	219
Total Income Tax Expense	862	71	1,274	821
Net Income	$ 1,936	$ 401	$ 2,884	$ 2,168
Earnings Per Share:				
Basic earnings per common share	$ 0.42	$ 0.17	$ 0.75	$ 0.85
Diluted earnings per common share	$ 0.41	$ 0.16	$ 0.73	$ 0.82
Cash dividends paid per common share	$ 0.22	$ 0.11	$ 0.55	$ 0.42
Basic weighted average shares outstanding	4,601,607	2,371,275	3,823,441	2,562,160
Diluted weighted average shares outstanding	4,735,708	2,444,204	3,937,889	2,637,980

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

Standard AVB Financial Corp.

Consolidated Statements of Comprehensive Income

(Dollars in thousands)

(Unaudited)

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Net Income	$ 1,936	$ 401	$ 2,884	$ 2,168
Other comprehensive income:				
Unrealized gain (loss) on securities available for sale	(241)	(163)	1,562	387
Tax effect	86	55	(531)	(131)
Reclassification adjustment for security gains realized in income	(18)	(26)	(11)	(119)
Tax effect	6	9	4	40
Pension obligation change for defined benefit plan	23	(247)	237	(247)
Tax effect	(7)	85	(81)	85
Total other comprehensive income	(151)	(287)	1,180	15
Total Comprehensive Income (Loss)	$ 1,785	$ 114	$ 4,064	$ 2,183

See accompanying notes to the unaudited consolidated financial statements.

5

Table of Contents

Standard AVB Financial Corp.

Consolidated Statement of Changes in Stockholders' Equity

(Dollars in thousands, except per share data)

(Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2016	$ 26	$ 16,626	$ 59,107	$ (1,992)	$ (777)	$ 72,990
Net income	-	-	2,884	-	-	2,884
Other comprehensive income	-	-	-	-	1,180	1,180
Stock repurchases (4,759 shares)		(140)				(140)
Cash dividends ($0.55 per share)	-	-	(2,338)	-	-	(2,338)
Stock options exercised (12,960 shares)	-	214	-	-	-	214
Excess tax benefits from stock based compensation	-	73	-	-	-	73
Compensation expense on stock awards	-	457	-	-	-	457
Compensation expense on ESOP	-	183	-	115	-	298
Merger consideration (2,168,097 shares)	22	57,650	-	-	-	57,672
Balance, September 30, 2017	$ 48	$ 75,063	$ 59,653	$ (1,877)	$ 403	$ 133,290

See accompanying notes to the unaudited consolidated financial statements.

6

Table of Contents

Standard AVB Financial Corp.

Consolidated Statements of Cash Flows

(Dollars in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2017	**2016**
Cash Flows From Operating Activities		
Net income	$ 2,884	$ 2,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	622	185
Provision for loan losses	267	105
Net gain on securities	(11)	(119)
Origination of loans held for sale	(5,496)	(2,911)
Proceeds from sale of loans held for sale	5,646	2,728
Net loan sale gains	(150)	(51)
Compensation expense on ESOP	298	264
Compensation expense on stock awards	457	339
Deferred income taxes	(528)	54
Decrease (increase) in accrued interest receivable and other assets	1,368	(355)
Earnings on bank-owned life insurance	(451)	(369)
Increase in accrued interest payable and other liabiliites	838	136
Excess tax benefits from stock based compensation	(73)	(60)
Other, net	155	(101)
Net Cash Provided by Operating Activities	5,827	2,013
Cash Flows Used In Investing Activities		
Net increase in loans	(54,687)	(24,583)
Purchases of investment securities	(4,127)	(12,841)
Purchases of mortgage-backed securities	(20,247)	(3,104)
Purchases of certificates of deposit	-	(250)
Proceeds from maturities of certificates of deposits	-	750
Proceeds from maturities/principal repayments/calls of investment securities	8,202	11,442
Proceeds from maturities/principal repayments/calls of mortgage-backed securities	7,241	3,595
Proceeds from sales of investment securities	9,219	285
Proceeds from sales of mortgage-backed securities	16,708	5,115
Purchase of Federal Home Loan Bank stock	(4,404)	(153)
Redemption of Federal Home Loan Bank stock	3,734	565
Proceeds from sales of foreclosed real estate	181	263
Net purchases of office properties and equipment	(1,173)	(76)

Cash and cash equivalents acquired	9,611	-
Net Cash Used in Investing Activities	(29,742)	(18,992)
Cash Flows From Financing Activities		
Net increase in demand, savings and club accounts	8,835	28,811
Net increase in certificate accounts	6,687	13,301
Net increase in securities sold under agreements to repurchase	3,606	137
Net decrease in Federal Home Loan Bank short term borrowings	(43,596)	-
Repayments of Federal Home Loan Bank advances	(5,789)	(15,807)
Proceeds from Federal Home Loan Bank advances	65,635	3,000
Net increase (decrease) in advance deposits by borrowers for taxes and insurance	497	(12)
Excess tax benefits from stock based compensation	73	60
Exercise of stock options	214	-
Dividends paid	(2,338)	(798)
Stock repurchases	(140)	(4,111)
Net Cash Provided by Financing Activities	33,684	24,581
Net Increase in Cash and Cash Equivalents	9,769	7,602
Cash and Cash Equivalents - Beginning	10,520	10,559
Cash and Cash Equivalents - Ending	$ 20,289	$ 18,161
Supplementary Cash Flows Information		
Interest paid	$ 3,419	$ 2,520
Income taxes paid	$ 713	$ 1,061
Supplementary Schedule of Noncash Investing and Financing Activities		
Foreclosed real estate acquired in settlement of loans	$ 354	$ 221

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

Standard AVB Financial Corp.

Consolidated Statements of Cash Flows (Unaudited) Continued

SUPPLEMENTAL INFORMATION (continued)

Merger with Allegheny Valley Bancorp. Inc.	
Non-cash assets acquired	
Investment securities available for sale	$95,919
Federal Home Loan Bank stock	4,739
Loans receivable, net of allowance for loan losses	311,736
Office properties and equipment, net	4,434
Accrued interest receivable	1,144
Bank owned life insurance	6,486
Core deposit intangible	4,116
Other assets	2,742
Goodwill	17,216
	448,532
Liabilities assumed	
Certificate accounts	(70,422)
Deposits other than certificate accounts	(263,522)
Borrowings	(64,624)
Accrued interest payable	(615)
Other liabilities	(1,288)
	(400,471)
Net Non Cash Assets Acquired	$48,061
Cash and cash equivalents acquired	$9,611

See accompanying notes to the unaudited consolidated financial statements.

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(1) Consolidation

The accompanying consolidated financial statements include the accounts of Standard AVB Financial Corp. (the "Company") and its direct and indirect wholly owned subsidiaries, Standard Bank, PaSB (the "Bank"), and Westmoreland Investment Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with instructions to Form 10-Q, and therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles in the United States. All adjustments (consisting of normal recurring adjustments), which, in the opinion of management are necessary for a fair presentation of the financial statements and to make the financial statements not misleading have been included. The unaudited consolidated financial statements and other financial information contained in this quarterly report on Form 10-Q should be read in conjunction with the audited financial statements of Standard Financial Corp. at and for the year ended September 30, 2016 contained in the Company's definitive prospectus dated February 1, 2017 (the "Prospectus") as filed with the Securities and Exchange Commission pursuant to Securities Act Rule 424(b)(3) on February 3, 2017. The results for the three and nine month periods ended September 30, 2017 is not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2017 or any future interim period. Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation format. These reclassifications had no effect on stockholders' equity or net income.

(3) Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The following table sets forth the computation of basic and diluted EPS for the three and nine months ended September 30, 2017 and 2016 (dollars in thousands, except per share data):

	Three Months Ended September 30,	**Nine Months Ended September 30,**

	2017	2016	2017	2016
Net income available to common stockholders	$ 1,936	$ 401	$ 2,884	$ 2,168
Basic EPS:				
Weighted average shares outstanding	4,601,607	2,371,275	3,823,441	2,562,160
Basic EPS	$ 0.42	$ 0.17	$ 0.75	$ 0.85
Diluted EPS:				
Weighted average shares outstanding	4,601,607	2,371,275	3,823,441	2,562,160
Diluted effect of common stock equivalents	134,101	72,929	114,448	75,820
Total diluted weighted average shares outstanding	4,735,708	2,444,204	3,937,889	2,637,980
Diluted EPS	$ 0.41	$ 0.16	$ 0.73	$ 0.82

(4) Recent Accounting Pronouncements

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (*Topic 606*). The amendments in this Update defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company is evaluating the effect of adopting this new accounting Update.

Table of Contents

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(4) Recent Accounting Pronouncements (Continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This Update applies to all entities that hold financial assets or owe financial liabilities and is intended to provide more useful information on the recognition, measurement, presentation, and disclosure of financial instruments. Among other things, this Update (a) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (b) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (c) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (d) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (e) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (f) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (g) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. A short-term lease is defined as one in which (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect to recognize lease payments over the lease term on a straight-line basis. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently assessing the practical expedients it may elect at adoption, but does not anticipate the amendments will have a significant impact on the financial statements. Based on the Company's preliminary analysis of its current portfolio, the impact to the Company's balance sheet is estimated to result in less than a 1 percent increase in assets and liabilities. The Company also anticipates additional disclosures to be provided at adoption.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718)*. The amendments in this Update affect all entities that issue share-based payment awards to their employees. The standards in this Update provide simplification for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as with equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. In addition to those simplifications, the amendments eliminate the guidance in Topic 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), *Share-Based Payment*. This should not result in a change in practice because the guidance that is being superseded was never effective. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. This Update is not expected to have a significant impact on the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be effected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment or the overall impact of the new guidance on the consolidated financial statements.

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(4) Recent Accounting Pronouncements (Continued)

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing diversity in practice. Among these include recognizing cash payments for debt prepayment or debt extinguishment as cash outflows for financing activities; cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage; and cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash inflows from investing activities while the cash payments for premiums on bank-owned policies may be classified as cash outflows for investing activities, operating activities, or a combination of investing and operating activities. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s statement of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*, which provides a more robust framework to use in determining when a set of assets and activities (collectively referred to as a “set”) is a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. Public business entities should apply the amendments in this Update to annual periods beginning after December 15, 2017, including interim periods within those periods. All other entities should apply the amendments to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The amendments in this Update should be applied prospectively on or after the effective date. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. A public business entity that is a U.S. Securities and Exchange Commission (“SEC”) filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. A public business entity that is not an SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. All other entities, including not-for-profit entities that are adopting the amendments in this Update should do so for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715)*. The amendments in this Update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. This update is not expected to have a significant impact on the Company’s financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20).* The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity should apply the amendments in this Update on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations

Table of Contents

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(4) Recent Accounting Pronouncements (Continued)

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718)*, which affects any entity that changes the terms or conditions of a share-based payment award. This Update amends the definition of modification by qualifying that modification accounting does not apply to changes to outstanding share-based payment awards that do not affect the total fair value, vesting requirements, or equity/liability classification of the awards. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this Update should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

Table of Contents

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(5) Investment Securities

Investment securities available for sale at September 30, 2017 and December 31, 2016 are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2017:				
U.S. government and agency obligations due:				
Beyond 1 year but within 5 years	$ 9,911	$ 32	$ (41)	$9,902
Beyond 5 year but within 10 years	932	15	-	947
Corporate bonds due:				
Beyond 1 year but within 5 years	5,401	23	(10)	5,414
Beyond 5 years but within 10 years	507	9	-	516
Municipal obligations due:				
Beyond 1 year but within 5 years	9,809	548	-	10,357
Beyond 5 years but within 10 years	29,835	426	(24)	30,237
Beyond 10 years	16,154	125	(111)	16,168
Equity securities	3,823	421	(69)	4,175
	$ 76,372	$ 1,599	$ (255)	$77,716

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016:				
U.S. government and agency obligations due:				
Beyond 1 year but within 5 years	$ 9,000	$ -	$ (66)	$8,934
Corporate bonds due:				
Beyond 1 year but within 5 years	2,028	-	(18)	2,010
Beyond 5 years but within 10 years	506	9	-	515
Municipal obligations due:				
Beyond 1 year but within 5 years	7,942	441	(7)	8,376
Beyond 5 years but within 10 years	11,739	24	(213)	11,550
Beyond 10 years	9,756	11	(367)	9,400
Equity securities	2,050	234	(121)	2,163

$ 43,021	$ 719	$ (792)	$42,948

Table of Contents

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(5) Investment Securities (Continued)

For the three months ended September 30, 2017, gains on the sales of investment securities were $14,000, losses on sales were $7,000 and proceeds from such sales were $3.0 million. For the nine months ended September 30, 2017, gains on sales of investment securities were $29,000, losses on sales were $89,000 and proceeds from such sales were $9.2 million. For the three months ended September 30, 2016, gains on sales of investment securities were $38,000, losses on sales were $12,000 and proceeds from such sales were $166,000. For the nine months ended September 30, 2016, gains on sales of investment securities totaled $87,000, losses on sales were $50,000 and total proceeds from such sales were $285,000. Investment securities with a carrying value of $17.9 million and $18.8 million were pledged to secure repurchase agreements and public funds accounts at September 30, 2017 and December 31, 2016, respectively.

The following table shows the fair value and gross unrealized losses on investment securities and the length of time that the securities have been in a continuous unrealized loss position at September 30, 2017 and December 31, 2016 (dollars in thousands):

	September 30, 2017					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
U.S. government and agency obligations	$2,981	$ (19)	$ 1,978	$ (22)	$4,959	$ (41)
Corporate bonds	754	-	1,009	(10)	1,763	(10)
Municipal obligations	3,029	(27)	3,767	(108)	6,796	(135)
Equity securities	252	(35)	794	(34)	1,046	(69)
Total	$7,016	$ (81)	$ 7,548	$ (174)	$14,564	$ (255)

	December 31, 2016					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**

U.S. government and agency obligations	$8,934	$ (66)	$ -	$ -	$8,934	$ (66)
Corporate bonds	2,009	(18)	-	-	2,009	(18)
Municipal obligations	12,225	(558)	1,207	(29)	13,432	(587)
Equity securities	196	(22)	949	(99)	1,145	(121)
Total	$23,364	$ (664)	$ 2,156	$ (128)	$25,520	$ (792)

At September 30, 2017, the Company held 33 securities in an unrealized loss position. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. The Company does not intend to sell these securities nor is it more likely than not that the Company would be required to sell these securities before their anticipated recovery, and the Company believes the collection of the investment and related interest is probable. Based on the above, the Company considers all of the unrealized losses to be temporary impairment losses.

Table of Contents

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(6) Mortgage-Backed Securities

Mortgage-backed securities available for sale at September 30, 2017 and December 31, 2016 are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2017:				
Government pass-throughs:				
Ginnie Mae	$ 11,639	$ 29	$ (57)	$ 11,611
Fannie Mae	20,087	174	-	20,261
Freddie Mac	13,539	92	(37)	13,594
Private pass-throughs	10,647	21	(24)	10,644
Collateralized mortgage obligations	7,693	-	(45)	7,648
	$ 63,605	$ 316	$ (163)	$ 63,758

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016:				
Government pass-throughs:				
Ginnie Mae	$ 5,129	$ 18	$ (54)	$ 5,093
Fannie Mae	5,403	93	(18)	5,478
Freddie Mac	5,520	21	(20)	5,521
Private pass-throughs	85	-	-	85
Collateralized mortgage obligations	1,571	1	(16)	1,556
	$ 17,708	$ 133	$ (108)	$ 17,733

For the three months ended September 30, 2017, gains on sales of mortgage-backed securities totaled $13,000, losses totaled $2,000 and total proceeds from such sales were $1.2 million. For the nine months ended September 30, 2017, gain on sales of mortgage-backed securities totaled $88,000, losses totaled $17,000 and total proceeds from such sales were $16.7 million. During the three months ended September 30, 2016, there were no sales of mortgage-backed securities. For the nine months ended September 30, 2016, gains on sales of mortgage-backed securities totaled $82,000 with total proceeds from such sales of $5.1 million.

The amortized cost and fair value of mortgage-backed securities at September 30, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to repay obligations with or without prepayment penalties (in thousand):

	Amortized Cost	Fair Value
Due after five years through ten years	$ 9,451	$ 9,542
Due after ten years	54,154	54,216
Total Mortgage-Backed Securities	$ 63,605	$ 63,758

15

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(6) Mortgage-Backed Securities (Continued)

The following table shows the fair value and gross unrealized losses on mortgage-backed securities and the length of time that the securities have been in a continuous unrealized loss position at September 30, 2017 and December 31, 2016 (dollars in thousands):

	September 30, 2017					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Government pass-throughs:						
Ginnie Mae	$3,008	$ (19)	$ 2,761	$ (38)	$5,769	$ (57)
Freddie Mac	1,484	(21)	1,147	(16)	2,631	(37)
Private pass-throughs	3,197	(24)	-	-	3,197	(24)
Collateralized mortgage obligations	5,229	(34)	490	(11)	5,719	(45)
Total	$12,918	$ (98)	$ 4,398	$ (65)	$17,316	$ (163)

	December 31, 2016					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Government pass-throughs:						
Ginnie Mae	$2,352	$ (44)	$ 1,214	$ (10)	$3,566	$ (54)
Fannie Mae	1,032	(18)	-	-	1,032	(18)
Freddie Mae	3,069	(20)	-	-	3,069	(20)
Collateralized mortgage obligations	1,494	(16)	-	-	1,494	(16)
Total	$7,947	$ (98)	$ 1,214	$ (10)	$9,161	$ (108)

At September 30, 2017, the Company held 12 mortgage-backed securities in an unrealized loss position. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. The Company does not intend to sell these securities nor is it more likely than not that the Company would be required to sell these securities before their anticipated recovery, and the Company believes the collection of the investment and related interest is probable.

Based on the above, the Company considers all of the unrealized loss to be temporary impairment loss.

Mortgage-backed securities with a carrying value of $20.7 million and $6.0 million were pledged to secure repurchase agreements and public fund accounts at September 30, 2017 and December 31, 2016, respectively.

Table of Contents

STANDARD AVB FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)
September 30, 2017

(7) Loans Receivable and Related Allowance for Loan Losses

The following table summarizes the primary segments of the loan portfolio, and the related allowance for loan losses, as of September 30, 2017 and December 31, 2016 (dollars in thousands):

	Real Estate Loans One-to-four-family Residential and Construction	Commercial Real Estate	Home Equity Loans and Lines of Credit	Commercial Business	Other Loans	Total
September 30, 2017:						
Collectively evaluated for impairment	$256,972	$ 302,938	$ 132,094	$ 57,303	$1,374	$750,681
Individually evaluated for impairment	-	598	-	-	-	598
Total loans before allowance for loan losses	$256,972	$ 303,536	$ 132,094	$ 57,303	$1,374	$751,279
December 31, 2016:						
Collectively evaluated for impairment	$174,740	$ 116,229	$ 77,913	$ 15,505	$520	$384,907
Individually evaluated for impairment	-	462	-	-	-	462
Total loans before allowance for loan losses	$174,740	$ 116,691	$ 77,913	$ 15,505	$520	$385,369

Total loans at September 3