Royal Financial, Inc. Announces FY13 Earnings for the Nine Months Ended March 31, 2013

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CHICAGO, May 22, 2013 /PRNewswire/ -- Royal Financial, Inc. (the "Company") (OTCBB: RYFL.OB), incorporated under the laws of Delaware on December 15, 2004, for the purpose of serving as the holding company of Royal Savings Bank (the "Bank"), announced earnings for the nine months ended March 31, 2013.

For the nine months ended March 31, 2013, the Company reported net income of $417,000, or $0.17 per common share, compared to a net loss of $342,000, or $0.14 loss per common share, for the nine months ended March 31, 2012. The net income for the nine months ended March 31, 2013 was an increase of $760,000 from the same period in 2012. The increase in income was due to an increase in non-interest income of $363,000 and net interest income of $260,000 and a decrease in noninterest expense of $656,000, partially offset by an increase in the provision for loan losses of $570,000. The increase in noninterest income was primarily the result of a gain of $291,000 on the sale of securities from the investment portfolio. The decrease in noninterest expense was primarily the result of a decrease in salaries and employee benefits of $273,000 and a decrease in foreclosed assets expense of $460,000, partially offset by increases in various operating expenses. The increase in the provision for loan losses was primarily due to the recognition of a credit provision of $425,000 in the second quarter of fiscal 2012, which was directly related to a recovery of previously charged off bad debt.

Comparison of Financial Condition at March 31, 2013 and June 30, 2012

The Company's total assets decreased $853,000, or 0.74%, to $114.6 million at March 31, 2013, from $115.4 million at June 30, 2012.

Securities available for sale decreased $20.3 million, or 36.96%, to $34.5 million at March 31, 2013 from $54.8 million at June 30, 2012. The decrease in the securities portfolio was due to securities sold to provide liquidity to fund loan growth.

Loans, net of allowance, increased $19.3 million, or 40.31%, to $67.2 million at March 31, 2013, from $47.9 million at June 30, 2012. The increase in loans was primarily a result of locally originated commercial loan growth, consisting of commercial real estate and multi-family properties.

Other real estate owned decreased $1.3 million to $2.5 million at March 31, 2013, from $3.8 million at June 30, 2012. The decrease was primarily due to the sale of a $1.6 million residential property in the western suburbs of Chicago, partially offset by a newly obtained residential property with a carrying value of $475,000.

Total deposits reflect a slight decrease of $292,000, or 0.42%, to $69.2 million at March 31, 2013 from $69.5 million at June 30, 2012.

Federal Home Loan Bank advances decreased $1.3 million, or 4.60%, to $25.9 million at March 31, 2013 from $27.2 million at June 30, 2012. FHLB advances were reduced using proceeds of investment securities sold during the period, in accordance with management's liquidity strategy.

Total stockholders' equity increased $227,000, or 1.27%, to $18.0 million at March 31, 2013 from $17.8 million at June 30, 2012. The increase is primarily a result of net income of $417,000 for the period partially offset by a decrease in accumulated other comprehensive income of $209,000, net of deferred taxes.

The allowance for loan losses was $1.6 million, or 2.32% of total loans, at March 31, 2013, as compared to $1.8 million, or 3.66% of total loans, at June 30, 2012. The Company believes, as of March 31, 2013, its allowance for loan losses was adequate to cover probable incurred losses. Nonperforming assets were $4.2 million, or 3.64%, at March 31, 2013 compared to $7.1 million, or 6.13%, at June 30, 2012.

The Bank is required to maintain regulatory capital sufficient to meet Tier 1 leverage, Tier 1 risk-based and total risk-based

capital ratios of at least 4.0%, 4.0%, and 8.0%, respectively. At March 31, 2013, the Bank exceeded each of its capital requirements with ratios of 14.49%, 24.57%, and 25.83%, respectively. At March 31, 2013, the book value per common share, shares outstanding 2,493,430, was $7.43 compared to the book value per common share, shares outstanding 2,487,756, was $7.16 at June 30, 2012.

Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Stockholders held on February 19, 2013, the following matters were submitted to and approved by a vote of stockholders:

1) The election of two Class II directors for a three-year term expiring at the Annual Meeting of Stockholders to be held in 2015:

Directors	Votes For	Votes Withheld
James A. Fitch, Jr.	1,323,452	72,500
Roger L. Hupe	1,323,452	72,500

The following directors continue to serve after the Annual Meeting:

Continuing Director	Term Expires
John T. Dempsey	2013
Leonard Szwajkowski	2013
C. Michael McLaren	2014
Philip J. Timyan	2014
James A. Fitch, Jr.	2015
Roger L. Hupe	2015

2) Ratification of the appointment of Crowe Horwath LLP as the Company's independent accountants for the fiscal year ending June 30, 2013:

Total votes for	1,364,042
Total votes against	37,041
Total votes abstaining	101

Consolidated Statements of Financial Condition

March 31, 2013 and June 30, 2012

(Unaudited)

	March 31, 2013	June 30, 2012
Assets		
Cash and non-interest bearing balances in financial institutions	$ 902,302	$ 898,993
Interest bearing balances in financial institutions	2,731,217	1,108,376
Federal funds sold	54,041	19,988
Total cash and cash equivalents	3,687,561	2,027,357
Securities available for sale	34,544,147	54,796,381
Loans receivable, net of allowance for loan losses	67,231,798	47,917,818
Federal Home Loan Bank stock	1,295,000	1,357,500
Premises & equipment, net	4,270,141	4,426,150

Land available for sale, net of valuation allowance	265,000	433,350
Accrued interest receivable	564,521	499,354
Other real estate owned	2,481,000	3,797,105
Other assets	228,853	166,418
Total assets	**$ 114,568,021**	**$ 115,421,433**
Liabilities & Stockholders' Equity		
Deposits	$ 69,169,620	$ 69,461,669
Advances from borrowers for taxes and insurance	456,039	452,686
Federal funds purchased	-	-
Federal Home Loan Bank advances and other borrowings	25,900,000	27,150,000
Accrued interest payable and other liabilities	993,469	534,901
Total liabilities	96,519,127	97,599,256
Stockholders' equity		
Preferred stock $0.01 par value per share, authorized 1,000,000 shares, no issues are outstanding	-	-
Common stock $0.01 par value per share, authorized 5,000,000 shares, 2,645,000 shares issued at March 31, 2013 and June 30, 2012	26,450	26,450
Additional paid-in capital	23,956,384	24,021,570
Retained deficit	(5,630,464)	(6,047,643)
Treasury stock, 151,570 and 157,244 shares, at cost	(1,214,981)	(1,298,672)
Accumulated other comprehensive income (loss), net of tax	911,504	1,120,472
Total stockholders' equity	18,048,894	17,822,177
Total liabilities and stockholders' equity	**$ 114,568,021**	**$ 115,421,433**

This report has not been prepared in accordance with Securities and Exchange Commission ("SEC") rules applicable to SEC registrant companies and is not intended to comply with such rules.

Consolidated Statements of Operations

Nine months ended March 31, 2013 and 2012

(Unaudited)

	Nine Months Ended March 31,	
	2013	**2012**
Interest income		
Loans	$ 2,566,810	$ 2,426,602

Securities	819,837	702,323
Federal funds sold and other	5,642	3,631
Total interest income	3,392,289	3,132,556
Interest expense		
Deposits	111,109	206,354
Borrowings	36,071	7,725
Total interest expense	147,180	214,078
Net interest income	3,245,108	2,918,478
Provision/(Credit) provision for loan losses	145,000	(425,011)
Net interest income after provision for loan loss	3,100,108	3,343,489
Non-interest income		
Service charges on deposit accounts	124,518	152,057
Secondary mortgage market fees	113,897	71,699
Income on other real estate owned	147,596	90,919
Gain on sale of investment securities	290,816	-
Other	761	29
Total non-interest income	677,588	314,704
Non-interest expense		
Salaries and employee benefits	1,203,359	1,476,354
Occupancy and equipment	537,089	519,687
Data processing	264,369	237,157
Professional services	397,357	345,055
Director fees	44,950	99,300
Marketing	5,696	10,602
FDIC insurance expense	109,726	79,247
Insurance premiums	49,869	50,420
Foreclosed asset expense	337,815	797,764
Loss valuation on land available for sale	168,350	142,650
Other	225,938	242,438
Total non-interest expense	3,344,517	4,000,672
Income before income taxes	433,179	(342,479)
Provision for income taxes	16,000	-
Net income	**$ 417,179**	**$ (342,479)**

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