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Royal Financial, Inc. Announces Second Quarter and Year to Date Earnings for Fiscal Year 2015

CHICAGO, Feb. 1, 2015 (GLOBE NEWSWIRE) -- Royal Financial, Inc. (the "Company") (OTCQX:RYFL), 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 second quarter and for the first six months of fiscal year 2015.

For the second quarter ended December 31, 2014, the Company reported net income of $216,000, or $0.09 per common share, compared to $235,000, or $0.09 per common share, for the second quarter ended December 31, 2013. Net income for the six months ended December 31, 2014 was $357,000, or $0.14 per common share, compared to $7.4 million, or $2.97 per common share, for the first six months ended December 31, 2013. The decrease in net income for the six months ended December 31, 2014 was primarily the result of the Company's reversal of its deferred tax asset ("DTA") valuation allowance of $6.9 million in the first quarter of fiscal year 2014.

Comparison of Financial Condition at December 31, 2014 and June 30, 2014

The Company's total assets remained level at $128.0 million for the periods ended December 31, 2014 and June 30, 2014.

Securities available for sale decreased $11.6 million, or 36.0%, to $20.6 million at December 31, 2014 from $32.2 million at June 30, 2014. The decrease in the securities portfolio was due to the sale of $19.0 million of investment bonds sold for liquidity purposes to fund the growing loan portfolio, partially offset by the purchase of $8.0 million of government sponsored agency bonds. Security sales consisted of $6.0 million of government sponsored agency bonds and $13.0 million of municipal securities. Bonds sold were strategically selected to shorten the duration of the portfolio.

Loans, net of allowance, increased $10.5 million, or 13.2%, to $89.7 million at December 31, 2014, from $79.3 million at June 30, 2014. The loan portfolio continues to increase as a result of funding loans that are locally originated commercial loan growth, primarily consisting of commercial real estate and multi-family properties.

The purchase contract for the sale of the branch building located on the southeast side of Chicago has mutually lapsed due to the national developer's inability to obtain a single home site required for the necessary assemblage. The Bank intends to continue in its efforts to sell the building and remains in contact with the developer as well as a new developer who has expressed interest. The Bank still plans to close the banking office as the replacement micro-branch is now fully operational. The target closure date is set for June 30, 2015 and the Bank is actively seeking regulatory approvals.

Total deposits increased $3.6 million, or 4.4%, to $85.4 million at December 31, 2014 from $81.8 million at June 30, 2014, primarily related to the growth in local commercial deposits.

Federal Home Loan Bank advances decreased $4.0 million, or 21.1%, to $15.0 million at December 31, 2014 from $19.0 million at June 30, 2014. FHLB advances are all short term, not exceeding three months.

Total stockholders' equity increased $164,000, or 0.6%, to $25.9 million at December 31, 2014 from $25.7 million at June 30, 2014. The increase is primarily a result of net income of $357,000 partially offset by a decrease of $208,000 in accumulated other comprehensive income.

For the quarter ended December 31, 2014, the Bank paid a cash dividend to the Company of $120,000, in addition to the $120,000 paid in the quarter ended September 30, 2014. The funds will allow the Company to pay merger and acquisition costs associated with the acquisition of PNA Bank, pending regulatory approval, as announced in the press

release dated December 23, 2014.

The allowance for loan losses was $1.38 million, or 1.50% of total loans, at December 31, 2014, as compared to $1.4 million, or 1.75% of total loans, at June 30, 2014. The Company believes, as of December 31, 2014, its allowance for loan losses was adequate to cover probable incurred losses. Nonperforming assets were $2.8 million, or 2.20%, at December 31, 2014 compared to $3.2 million, or 2.56%, at June 30, 2014.

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 December 31, 2014, the Bank exceeded each of its capital requirements with ratios of 15.08%, 24.73%, and 25.99%, respectively.

At December 31, 2014, the book value per common share, shares outstanding 2,507,112, was $10.32 compared to the book value per common share, shares outstanding 2,507,112, of $10.25 at June 30, 2014.

The complete audited consolidated financial statements for 2014 and 2013 are available at www.royal-bank.us.

For liquidity enhancement, Royal Financial, Inc. secured a $4.0 million line of credit with The PrivateBank, located in Chicago, IL. The line was fully executed on November 13, 2014.

Comparison of Results of Operation for the Three and Six Months Ended December 31, 2014 and 2013

The net income for the three months ended December 31, 2014 was $216,000, a decrease in net income of $18,000, from the same period in 2013. The net income for the six months ended December 31, 2014 was $357,000, a decrease of net income of $7.1 million, from the same period in 2013.

The decrease in net income for the three months ended December 31, 2014 resulted primarily from an increase in non-interest expense of $494,000 and an increase in the provision for income taxes of $91,000, partially offset by an increase in net interest income of $126,000, an increase in non-interest income of $426,000 and a decrease in the provision for loan losses of $15,000.

The decrease in net income for the six months ended December 31, 2014 was primarily related to an increase in the provision for income taxes of $6.8 million, a direct result of the one-time recognition of the reversal of the tax valuation allowance against deferred tax assets of $6.9 million in fiscal year 2014, a decrease in credit for loan losses of $355,000, an increase in non-interest expense of $626,000, partially offset by an increase in net interest income of $210,000, and an increase in non-interest income of $463,000.

The decrease in credit for loan losses was related to the recognition of a credit provision of $370,000 in fiscal year 2014, which is directly related to a recovery of previously charged off bad debt. The increase in non-interest expense is primarily due to the increase in professional services of $259,000, which is primarily related to merger and acquisition costs, an increase in salaries and benefits of $200,000, primarily due to additional staff costs incurred in relation to the retail micro-branch which opened during the period, and an increase in foreclosed asset expense of $96,000, related to a write down valuation on other real estate owned property. The increase in net interest income is primarily related to the increase in loan interest income of $149,000 resulting from the growth of the loan portfolio. The increase in non-interest income is primarily related to the $412,000 gain recognized on the sale of investment securities in the period.

About Royal Financial, Inc.

Royal Financial, Inc. is the holding company for Royal Savings Bank which was founded in 1887. Royal Savings Bank offers a range of checking and savings products and a full line of home and commercial lending solutions. Royal Savings Bank has been operating continuously in the south and southeast communities of Chicago since 1887, and currently has three branches in Chicago, with lending centers in Homewood and St. Charles, Illinois.

Visit Royal Financial, Inc. and Royal Savings Bank at www.royal-bank.us

Safe–Harbor

This press release may include forward-looking statements. These forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain and actual results may differ materially from those predicted in such forward-looking statements. Factors that could have a material adverse effect on the operations and future prospects of the Company and the Bank include, but are not limited to, changes in interest rates; the economic health of the local real estate market; general economic conditions; continued credit deterioration in our loan portfolio that would cause us to further increase our allowance for loan losses; legislative/regulatory changes; monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board; the quality or composition of the loan and securities portfolios; demand for loan products in our market areas; deposit flows; competition; demand for financial services in our market areas; and changes in accounting principles, policies, and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements, and undue reliance should not be placed on such statements.

Royal Financial, Inc. and Subsidiary

Consolidated Statements of Financial Condition

December 31, 2014 and June 30, 2014

(Unaudited)

	December 31, 2014	June 30, 2014
Assets		
Cash and non-interest bearing balances in financial institutions	$ 1,204,232	$ 871,687
Interest bearing balances in financial institutions	2,001,373	743,302
Federal funds sold	190,758	180,281
Total cash and cash equivalents	3,396,363	1,795,270
Securities available for sale	20,604,206	32,205,458
Loans receivable, net of allowance for loan losses of $1,365,599 at December 31, 2014, $1,416,899 at June 30, 2014	89,738,500	79,259,804
Federal Home Loan Bank stock, at cost	750,000	975,000
Premises & equipment, net	4,692,544	4,443,309
Land held for sale	265,000	265,000
Accrued interest receivable	363,325	500,561
Other real estate owned	1,750,000	1,986,850
Deferred tax asset	6,114,920	6,349,020
Other assets	368,184	226,574
Total assets	$ 128,043,042	$ 128,006,846
Liabilities & Stockholders' Equity		

Deposits	85,365,612	$ 81,782,980
Advances from borrowers for taxes and insurance	1,186,023	976,456
Federal Home Loan Bank advances	15,000,000	19,000,000
Accrued interest payable and other liabilities	625,116	545,559
Total liabilities	102,176,751	102,304,995
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	26,450	26,450
Additional paid-in capital	23,817,946	23,801,866
Retained earnings	2,867,564	2,510,488
Treasury stock, 137,888 shares, at cost	(1,012,924)	(1,012,924)
Accumulated other comprehensive income	167,255	375,971
Total stockholders' equity	25,866,291	25,701,851
Total liabilities and stockholders' equity	$ 128,043,042	$ 128,006,846

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.

Royal Financial, Inc. and Subsidiary

Consolidated Statements of Operations

Three and Six months ended December 31, 2014 and 2013

(Unaudited)

	Three Months Ended December 31,		**Six Months Ended December 31,**	
	2014	**2013**	**2014**	**2013**
Interest income				
Loans	$ 1,160,791	$ 1,011,689	$ 2,229,426	$ 2,015,407
Securities	199,258	193,187	420,014	355,805
Federal funds sold and other	5,864	2,745	9,199	4,508
Total interest income	1,365,914	1,207,621	2,658,640	2,375,720
Interest expense				
Deposits	78,079	49,825	150,336	86,489

Borrowings	9,588	5,151	19,951	10,949
Total interest expense	87,668	54,976	170,287	97,438
Net interest income	1,278,246	1,152,645	2,488,353	2,278,282
Provision/(Credit) for loan losses	--	15,000	--	(354,785)
Net interest income after provision/ (credit) for loan losses	1,278,246	1,137,645	2,488,353	2,633,067
Non-interest income				
Service charges on deposit accounts	56,226	42,740	106,193	85,609
Secondary mortgage market fees	7,948	24,497	12,949	57,926
Income on other real estate owned	59,322	42,429	114,298	85,680
Gain on sale of investment securities	412,364	--	458,709	--
Other	149	174	416	401
Total non-interest income	536,009	109,840	692,566	229,616
Non-interest expense				
Salaries and employee benefits	561,635	439,647	1,057,021	856,742
Occupancy and equipment	193,763	175,039	391,443	322,639
Data processing	89,771	65,548	181,364	151,563
Professional services	339,277	116,057	522,202	262,839
Director fees	32,400	28,800	64,800	57,600
Marketing	3,607	3,299	4,035	8,024
FDIC insurance expense	24,553	18,282	41,054	51,041
Insurance premiums	17,649	17,792	34,008	35,250
Foreclosed asset expense	115,163	23,548	140,240	44,008
Other	78,154	74,020	153,576	173,888
Total non-interest expense	1,455,973	962,032	2,589,743	1,963,595
Income before income taxes	358,282	285,453	591,176	899,088
Provision (Benefit) for income taxes	142,000	50,800	234,100	(6,536,020)
Net income	$ 216,282	$ 234,653	$ 357,076	$ 7,435,108
Basic and diluted earnings per share	$ 0.09	$ 0.09	$ 0.14	$ 2.97

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