

*Source: Royal Financial, Inc.
May 05, 2015 17:00 ET*

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

CHICAGO, May 5, 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 third quarter and for the first nine months of fiscal year 2015.

For the third quarter ended March 31, 2015, the Company reported net income of \$111,000, or \$0.04 per common share, compared to \$173,000, or \$0.07 per common share, for the third quarter ended March 31, 2014. Net income for the nine months ended March 31, 2015 was \$468,000, or \$0.19 per common share, compared to \$7.6 million, or \$3.03 per common share, for the first nine months ended March 31, 2014. The decrease in net income for the nine months ended March 31, 2015 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 March 31, 2015 and June 30, 2014

The Company's total assets decreased \$9.6 million, or 7.5%, to \$118.4 million at March 31, 2015, from \$128.0 million at June 30, 2014.

Securities available for sale decreased \$17.5 million, or 54.4%, to \$14.7 million at March 31, 2015 from \$32.2 million at June 30, 2014. The decrease in the securities portfolio was due to the sale of \$25.3 million of investment bonds sold, partially offset by the purchase of \$8.0 million of government sponsored agency bonds. Security sales consisted of \$12.0 million of government sponsored agency bonds and \$13.3 million of municipal securities. The securities portfolio was intentionally reduced for liquidity purposes to fund the growing loan portfolio and to reduce short-term FHLB borrowings, which was inclusive of management's strategy to prepare for the acquisition of PNA Bank and the combination of the pro-forma balance sheets. Bonds sold were strategically selected to shorten the duration of the portfolio.

Loans, net of allowance, increased \$7.2 million, or 9.0%, to \$86.4 million at March 31, 2015, 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.

Management executed a purchase contract, on April 14, 2015, with a local business owner for the sale of the branch building and the mid-block parking lot, located on the southeast side of Chicago. The sale is projected to close by May 31, 2015. The Bank recently received regulatory approval to close the branch. The closure date is set for June 30, 2015. The gain on the sale of the property is estimated to be \$600,000. The banking office was replaced during the fiscal year with a retail micro-branch, located approximately one mile from the current branch.

Total deposits increased \$5.2 million, or 6.3%, to \$86.9 million at March 31, 2015 from \$81.8 million at June 30, 2014. The increase is primarily related to the growth in local commercial deposits.

Federal Home Loan Bank advances decreased \$15.0 million, or 79.0%, to \$4.0 million at March 31, 2015 from \$19.0 million at June 30, 2014. FHLB advances are all short term, not exceeding three months.

Total stockholders' equity increased \$379,000, or 1.5%, to \$26.1 million at March 31, 2015 from \$25.7 million at June 30, 2014. The increase is primarily a result of net income of \$468,000 partially offset by a decrease of \$113,000 in accumulated other comprehensive income.

For the nine months ended March 31, 2015, the Bank has paid cash dividends of \$460,000 to the Company. The upstream of funds will allow the Company to pay merger and acquisition costs, primarily associated with the acquisition of PNA Bank. The sale order was approved by the U.S Bankruptcy Court, as announced in the press release dated December 23, 2014. An Interagency Bank Merger Act Application was filed on January 27, 2015 and is pending regulatory approval.

The allowance for loan losses was \$1.4 million, or 1.62% of total loans, at March 31, 2015, as compared to \$1.4 million, or 1.75% of total loans, at June 30, 2014. The Company believes, as of March 31, 2015, its allowance for loan losses was adequate to cover probable incurred losses. Non-performing assets, including Restructured Loans, were \$2.8 million, or 2.43%, at March 31, 2015 compared to \$3.2 million, or 2.56%, at June 30, 2014.

The Bank is required to maintain regulatory capital sufficient to meet the Tier 1 capital leverage ratio, and the risk-based ratios for Common Equity Tier 1 capital, Tier 1 capital and Total capital of at least 4.0%, 4.5%, 6.0% and 8.0%, respectively. At March 31, 2015, the Bank exceeded each of its capital requirements with ratios of 16.82%, 24.70%, 24.70% and 26.00%, respectively.

At March 31, 2015, the book value per common share, shares outstanding 2,507,112, was \$10.40 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.

Comparison of Results of Operation for the Three and Nine Months Ended March 31, 2015 and 2014

The net income for the three months ended March 31, 2015 was \$111,000, a decrease in net income of \$63,000, from the same period in 2014. The net income for the nine months ended March 31, 2015 was \$468,000, a decrease of net income of \$7.1 million, from the same period in 2014.

The decrease in net income for the three months ended March 31, 2015 resulted primarily from an increase in non-interest expense of \$122,000, an increase in provision for loan loss of \$90,000 and an increase in the provision for income taxes of \$25,000, partially offset by an increase in net interest income of \$51,000 and an increase in non-interest income of \$123,000.

The decrease in net income for the nine months ended March 31, 2015 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 \$445,000, an increase in non-interest expense of \$749,000, partially offset by an increase in net interest income of \$261,000, and an increase in non-interest income of \$586,000.

The decrease in credit for loan losses of \$445,000 resulted from a \$90,000 provision for loan loss recorded in the third quarter of fiscal year 2015 and the recognition of a credit provision of \$370,000 in fiscal year 2014. The increase in non-interest expense is primarily due to the increase in professional services of \$304,000, which is primarily related to merger and acquisition costs, an increase in salaries and benefits of \$322,000, primarily due to additional staffing needs incurred in relation to the retail micro-branch which opened during the period, and an increase in occupancy and equipment of \$80,100, which is primarily related to rent expense of \$45,000 and depreciation expense of \$29,000 related to the new micro-branch. Upon closure of the branch building on southeast side of Chicago, it is estimated that that operating expenses will be reduced by approximately \$200,000 annually. The increase in net interest income is primarily related to the increase in loan interest income of \$410,000, a direct result of the growth of the loan portfolio, partially offset by a decrease on interest income on securities of \$61,000, a direct result of the shrinkage of the bond portfolio. The increase in non-interest income is primarily related to the \$542,000 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
March 31, 2015 and June 30, 2014
(Unaudited)

	March 31, 2015	June 30, 2014
Assets		
Cash and non-interest bearing balances in financial institutions	\$ 1,197,955	\$ 871,687
Interest bearing balances in financial institutions	1,545,597	743,302
Federal funds sold	6,166	180,281
Total cash and cash equivalents	2,749,718	1,795,270
Securities available for sale	14,699,672	32,205,458
Loans receivable, net of allowance for loan losses of \$1,424,823 at March 31, 2015, \$1,416,899 at June 30, 2014	86,427,066	79,259,804
Federal Home Loan Bank stock, at cost	750,000	975,000
Premises & equipment, net	4,684,282	4,443,309
Land held for sale	265,000	265,000
Accrued interest receivable	429,250	500,561
Other real estate owned	1,859,000	1,986,850
Deferred tax asset	6,047,920	6,349,020
Other assets	450,215	226,574
Total assets	\$ 118,362,123	\$ 128,006,846
Liabilities & Stockholders' Equity		
Deposits	\$ 86,941,852	\$ 81,782,980
Advances from borrowers for taxes and insurance	742,086	976,456
Federal Home Loan Bank advances	4,000,000	19,000,000
Accrued interest payable and other liabilities	597,285	545,559
Total liabilities	92,281,223	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	23,825,983	23,801,866
Retained earnings	2,978,141	2,510,488
Treasury stock, 137,888 shares, at cost	(1,012,924)	(1,012,924)
Accumulated other comprehensive income	263,250	375,971

Total stockholders' equity	26,080,900	25,701,851
Total liabilities and stockholders' equity	\$ 118,362,123	\$ 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 Nine months ended March 31, 2015 and 2014
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Interest income				
Loans	\$ 1,211,013	\$ 1,014,683	\$ 3,440,439	\$ 3,030,090
Securities	92,991	218,082	512,943	573,888
Federal funds sold and other	6,733	2,617	15,995	7,125
Total interest income	1,310,737	1,235,382	3,969,377	3,611,103
Interest expense				
Deposits	80,236	51,539	230,572	138,027
Borrowings	3,681	7,950	23,632	18,900
Total interest expense	83,917	59,489	254,204	156,927
Net interest income	1,226,820	1,175,893	3,715,173	3,454,176
Provision/(Credit) for loan losses	90,000	--	90,000	(354,785)
Net interest income after provision/ (credit) for loan losses	1,136,820	1,175,893	3,625,173	3,808,961

Non-interest income

Service charges on deposit accounts	47,930	39,645	154,123	125,254
Secondary mortgage market fees	7,050	5,768	20,000	63,694
Income on other real estate owned	60,499	29,751	174,797	115,431
Gain on sale of investment securities	83,279	--	541,988	--
Other	232	448	648	849
Total non-interest income	198,990	75,612	891,556	305,228

Non-interest expense

Salaries and employee benefits	501,538	379,900	1,558,559	1,236,642
Occupancy and equipment	207,336	196,040	598,779	518,679
Data processing	94,845	83,751	276,209	235,314
Professional services	156,371	111,978	678,573	374,817
Director fees	32,400	28,600	97,200	86,200
Marketing	2,000	100	2,722	8,124
FDIC insurance expense	21,588	16,685	62,642	79,055
Insurance premiums	17,189	28,013	51,196	51,934
Foreclosed asset expense	30,242	128,237	170,483	172,246
Other	94,724	62,469	251,613	236,357
Total non-interest expense	1,158,233	1,035,773	3,747,976	2,999,368

Income before income taxes	177,577	215,733	768,753	1,114,821
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Provision (Benefit) for income taxes	67,000	42,500	301,100	(6,493,520)
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Net income	\$ 110,577	\$ 173,233	\$ 467,653	\$ 7,608,341
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Basic and diluted earnings per share	\$ 0.04	\$ 0.07	\$ 0.19	\$ 3.03
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