
Royal Financial, Inc. Announces Earnings for First Quarter of Fiscal Year 2018

CHICAGO, Oct. 12, 2017 (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 first quarter end of fiscal year 2018.

Net Income for the first quarter of fiscal year 2018 was \$1.4 million, or \$0.54 per common share, compared to \$264,000, or \$0.11 per common share, in the same period of fiscal 2017.

Comparison of Results of Operation for the Three Months Ended September 30, 2017 and 2016

The Company reported net income of \$1.4 million for the first three months of fiscal 2018 compared to \$264,000 in the same period of fiscal 2017, an increase of \$1.1 million. The increase was caused by the change in the State of Illinois tax rate having a positive effect on the Company's DTA, increases in loan interest income offset by increases in deposit cost of funds, and a decrease in non-interest expense.

Total interest income for the quarter ended September 30, 2017, increased \$431,000 from September 30, 2016. Total interest income for loans, including fees, for the quarter ended September 30, 2017, increased \$521,000 from the quarter ended September 30, 2016, which was offset by the decrease in interest income from securities. The Company liquidated securities to fund loan growth in fiscal year 2017. This increase in interest income is offset by the increase in total interest expense due to higher cost of funds for borrowings and deposit accounts.

Total non-interest expense decreased \$170,000 from September 30, 2016. The decrease in non-interest expense is due to the change in data processing fees of \$127,000 and in acquisition expenses of \$60,000 from September 30, 2016. Data processing fees and acquisition expenses were higher in 2016 as a result of the acquisition of Park Federal Savings Bank, the conversion of data processing systems which ended in September 2016, and general research and analysis of other potential merger and acquisition candidates.

The provision for loan losses at the quarter end of September 30, 2017, was \$180,000, an increase of \$150,000 from the prior year. The increase in the allowance for loan losses was to provide for the increased growth in the loan portfolio.

For quarter end September 30, 2017, the benefit for income taxes was \$511,000 compared to the provision for income taxes at the quarter end of September 30, 2016, of \$264,000, a decrease of \$717,000. In the first quarter of fiscal year 2018, the State of Illinois enacted its first budget since

2015, which increased the corporate income tax rate from 5.25% to 7.00%. The Illinois replacement tax remains unchanged at 2.50%. Therefore, effective July 1, 2017, the combined corporate tax rate in Illinois increased from 7.75% to 9.50%. Based on a Federal tax rate of 34.00%, the effective state income tax rate is 6.27%. Based on the increase to the effective state income tax rate, the Company's DTA increased \$909,000 which was offset by an increase to the DTA valuation allowance of \$100,000. The Company recognized \$809,000 into income on July 1, 2017.

Comparison of Financial Condition at September 30, 2017 and June 30, 2017

The Company's total assets increased \$9.2 million, or 2.90%, to \$326.3 million at September 30, 2017, from \$317.1 million at June 30, 2017.

Cash and cash equivalents decreased \$7.7 million to \$7.0 million at September 30, 2017, from \$14.7 million at June 30, 2017, due to the increase in funding for loan growth.

Loans, net of allowance, increased \$16.0 million, or 6.54%, to \$261.7 million at September 30, 2017, from \$245.7 million at June 30, 2017, primarily due to an increase in commercial loan growth. The Company also experienced growth in mortgage loans and local one bank commercial participations.

The allowance for loan losses was \$1.8 million, or 0.69% of total loans, at September 30, 2017, as compared to \$1.7 million, or 0.67% of total loans, at June 30, 2017. In addition to the allowance for loan losses, net purchase discount on acquired loans was \$1.3 million at September 30, 2017 compared to \$1.4 million at June 30, 2017. Individual loan discounts are being accreted into interest income over the life of the loans; however, they can offset loan losses upon loan default. Nonperforming loans totaled \$135,000, or 0.05% of outstanding loans, at September 30, 2017 compared to \$327,000 or 0.13%, at June 30, 2017.

Other real estate owned (OREO) increased \$136,000 to \$588,000 at September 30, 2017, from \$452,000 at June 30, 2017. The change was due to the sale of one property and the addition of another. The OREO that sold was a one-to-four family residential property. The OREO that was acquired during the quarter was a one-to-four family residential property that was acquired because of job loss. All properties are recorded at fair value, less estimated costs to sell.

The Deferred Tax Asset (DTA) increased \$540,000, or 4.49%, to \$12.6 million at September 30, 2017, from \$12.0 million at June 30, 2017, due to the increase in the Illinois State Tax rate, which was offset by the increase in the valuation allowance and actual taxes for the first quarter of fiscal 2018.

Total deposits increased \$8.2 million, or 3.07%, to \$274.6 million at September 30, 2017, from \$266.5 million at June 30, 2017. The increase was primarily due to the increase in certificates of deposit which was the result of promotional CD rates run throughout the quarter, offset by a decrease in non-interest checking and savings accounts.

Federal Home Loan Bank advances increased \$1.5 million, or 18.75%, to \$9.5 million at September 30, 2017, from \$8.0 million at June 30, 2017. The increase in borrowings was to fund the increase in loan growth throughout the quarter. All FHLB advances are limited to short term maturities. Notes payable decreased \$308,000 due to principal repayments on holding company debt, which totaled \$4.6 million at quarter end.

Total stockholders' equity increased \$1.3 million, or 3.89%, to \$35.0 million at September 30, 2017, from \$33.7 million at June 30, 2017, which was primarily a result of the net income of \$1.4 million earned in the period.

In the quarter ended September 30, 2017, the Bank paid a cash dividend to the Company of \$415,000.

The Bank is "well capitalized" under prompt corrective action regulations. This classification requires the Bank to maintain regulatory capital that meets or exceeds the following ratios: Tier 1 Capital leverage of 5.00%, Common Equity Tier 1 Capital of 6.50%, Tier 1 Capital of 8.00%, and Total Capital of 10.00%. At September 30, 2017, the Bank exceeded each of these requirements with ratios of 9.07%, 13.92%, 13.92% and 14.84%, respectively.

At September 30, 2017, the book value per common share was \$13.97 compared to the book value per common share of \$13.45 at June 30, 2017, for shares outstanding of 2,507,112 for both periods. The tangible book value per share was \$13.62 at September 30, 2017, compared to tangible book value per share of \$13.08 at June 30, 2017.

The complete audited consolidated financial statements for 2017 and 2016 are available at www.royalbankweb.com

About Royal Financial, Inc.

Royal Savings Bank is a federally-insured financial institution that 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 since 1887, and currently has seven branches in Chicagoland and lending centers in Homewood and St. Charles, Illinois. Visit Royal Financial, Inc. and Royal Savings Bank at www.royalbankweb.com.

Safe-Harbor

Forward Looking Statements: 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
September 30, 2017 and June 30, 2017
(Unaudited)

	September 30, 2017	June 30, 2017
Assets		
Cash and non-interest bearing balances in financial institutions	\$ 2,651,918	\$ 2,803,915
Interest Bearing Financial Institutions	4,314,198	11,867,746
Federal Funds Sold	90,308	83,078
Total Cash and Cash Equivalents	<u>\$ 7,056,423</u>	<u>\$ 14,754,739</u>
Investment Certificates of Deposit	\$ 2,342,000	\$ 2,342,000
Securities available for sale	25,937,480	26,044,643
Loans Receivable, net of Allowance for loan losses of \$1,830,575 at September 30, 2017, \$1,673,924 at June 30, 2017	261,725,488	245,651,278
Federal Home Loan Bank Stock	544,700	544,700
Premises & Equipment, net	12,880,818	12,911,712
Accrued Interest Receivable	1,179,082	1,095,586
Other Real Estate Owned	587,688	451,655
Deferred Tax Asset	12,553,621	12,013,833
Core Deposit Intangible	892,116	918,615
Other Assets	611,645	391,171
Total Assets	<u><u>\$ 326,311,059</u></u>	<u><u>\$ 317,119,932</u></u>
Liabilities & Stockholders Equity		
Total Deposits	\$ 274,633,024	\$ 266,465,215
Advances from Borrowers for Taxes and Insurance	1,771,144	3,333,119
FHLB Advances	9,500,000	8,000,000
Notes Payable	4,571,429	4,879,286
Accrued Interest Payable and Other Liabilities	805,855	725,727
Total Liabilities	<u>\$ 291,281,452</u>	<u>\$ 283,403,347</u>
Stockholder's Equity		
Common Stock	\$ 26,450	\$ 26,450
Additional Paid-In Capital	23,969,265	23,954,746
Retained Earnings	12,226,190	10,871,097
Treasury Stock	(1,012,925)	(1,012,925)

Unrealized G/L in Equity	(179,372)	(122,783)
Total Capital	\$ 35,029,608	\$ 33,716,585
Total Liabilities and Stockholder's Equity	\$ 326,311,059	\$ 317,119,932

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 Months Ended September 30, 2017 and 2016
(Unaudited)

	2017	2016
Interest Income		
Loans, Including Fees	\$ 3,264,457	\$ 2,743,480
Securities	191,142	288,828
Federal funds sold and other	16,923	9,602
Total Interest Income	\$ 3,472,523	\$ 3,041,909
Interest Expense		
Deposits	\$ 375,240	\$ 195,321
Borrowings	70,405	55,848
Total Interest Expense	\$ 445,644	\$ 251,169
Net Interest Income	\$ 3,026,878	\$ 2,790,740
Provision/(Credit) for Loan losses	\$ 180,000	\$ 30,000
Net Interest Income After Provision/ (Credit) For Loan Losses	\$ 2,846,878	\$ 2,760,740
Non-Interest Income		
Service Charges on Deposit Accounts	134,419	141,191
Secondary mortgage market fees	13,530	5,355
Gain on Acquisitions	-	(36,614)
Rental Income	31,691	-
Other	53,283	310
Total Non-Interest Income	\$ 232,924	\$ 110,242
Non-interest expense		
Salaries and Employee Benefits	\$ 1,121,826	\$ 1,089,264
Occupancy and Equipment	399,650	412,494
Data Processing	154,351	281,423
Professional Services	163,472	174,672
Director's Fees	36,000	36,000
Marketing	18,288	45,913
FDIC Insurance Expense	30,667	25,239
Insurance Premiums	25,848	35,862

Other Real Estate Owned Expense (income), net	60,003	5,797
Acquisition Expense	2,954	26,271
Core deposits intangibles amortization	26,499	26,499
Other	195,787	240,688
Total Non-Interest Expense	\$ 2,235,345	\$ 2,400,123
Income Before Taxes	\$ 844,457	\$ 470,859
Total Provision (Benefit) For Taxes	(510,636)	206,500
Net Income	\$ 1,355,093	\$ 264,359
Basic Earnings Per Share	\$ 0.54	\$ 0.11
Diluted Earnings Per Share	\$ 0.53	\$ 0.10

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.

Contact: Mr. Leonard Szwajkowski
President and CEO
Royal Financial, Inc.
Telephone: (773) 382-2111
E-mail: lszwajkowski@royal-bank.us
