

# News Release

**FOR IMMEDIATE RELEASE**

Contact: Paul C. Hudson, CEO

Sam Sarpong, CFO

(323) 634-1700

[www.broadwayfederalbank.com](http://www.broadwayfederalbank.com)

## **Broadway Financial Corporation Announces Second Quarter Net Earnings**

LOS ANGELES, CA – (BUSINESS WIRE) – August 10, 2010 – Broadway Financial Corporation (the “Company”) (NASDAQ Small-Cap: BYFC), parent company of Broadway Federal Bank, f.s.b. (the “Bank”), today reported net earnings of \$846 thousand for the second quarter ended June 30, 2010 compared with net earnings of \$34 thousand for the second quarter of 2009. The increase in net earnings was primarily due to higher net interest income and a lower provision for loan losses. Earnings available to common shareholders for the quarter ended June 30, 2010 were \$0.32 per fully diluted common share compared to a loss of (\$0.09) per fully diluted common share for the quarter ended June 30, 2009.

For the six months ended June 30, 2010, the Company reported net earnings of \$1.8 million compared to \$696 thousand of net earnings for the same period in 2009. Fully diluted earnings per common share for the six months ended June 30, 2010 and 2009 were \$0.72 and \$0.20, respectively.

Chief Executive Officer, Paul C. Hudson stated, “We are encouraged by our ability to post consecutive quarters of positive earnings despite the weak local economy and real estate market and believe that our focus on serving the needs of low- to moderate-income communities continues to represent a differentiated strategy with enduring strength.” He went on to explain, “We are optimistic that we can continue to generate profits for the balance of 2010, but expect continuing pressure on profitability and net interest margins as we focus on improving asset quality.”

### **Second Quarter Highlights**

- Net interest income before provision for loan losses grew \$833 thousand, an increase of 19% over second quarter 2009.
- Provision for loan losses for the second quarter 2010 totaled \$309 thousand, compared to \$1.6 million for the second quarter 2009.
- Non-performing assets (“NPAs”) as a percentage of total assets decreased to 6.77%, from 6.85% at March 31, 2010 and 7.10% at year-end 2009.
- Return on equity was 10.28% and return on average assets was 0.62%.

### **Second Quarter 2010 Earnings Summary**

For the quarter ended June 30, 2010, net interest income before provision for loan losses was \$5.3 million, which represented an increase of \$833 thousand, or 19%, from the second quarter of 2009. The increase was primarily attributable to the substantial growth in our loan portfolio during 2009. Average interest-earning assets increased \$88.1 million, or 20%, from the second quarter of 2009. Our net interest margin for the quarter ended June 30, 2010 decreased to 3.92%, down 2 basis points from the second quarter 2009 net interest margin, as the yield on our interest-earning assets declined more rapidly than the cost of our interest-bearing liabilities.

The provision for loan losses totaled \$309 thousand for the second quarter of 2010, compared to \$1.6 million for the same period a year ago. The amount of provision recorded in the second quarter of 2010 reflects the increase in specific valuation allowance that we recorded for loans that became impaired during the quarter,

which was partially offset by a decrease in the general valuation allowance that we recorded due to the reduction in our gross loan portfolio.

Non-interest income (loss) for the quarter ended June 30, 2010 totaled (\$255) thousand compared to \$117 thousand for the second quarter of 2009. The decrease from the second quarter of 2009 was primarily due to a \$227 thousand higher provision for losses on loans held for sale in the second quarter of 2010 and a \$136 thousand net loss on sale of loans.

Non-interest expense for the quarter ended June 30, 2010 totaled \$3.3 million compared to \$3.0 million for the second quarter of 2009. The increase was mostly due to higher compensation and benefits expense, primarily reflecting a lower amount of salaries that were deferred in the 2010 second quarter as a result of decreased loan origination volume, and higher expenses for professional services, primarily audit and legal expenses. These increases were partially offset by lower premiums for FDIC insurance, as the year ago quarter included a \$222 thousand accrual for a special assessment imposed by the FDIC.

### **Balance Sheet Summary**

Total assets were \$551.6 million at June 30, 2010, which represented an increase of \$30.5 million from December 31, 2009. During the first six months of 2010, cash and cash equivalents increased by \$46.3 million, net loans (including loans held for sale) decreased by \$11.4 million and securities decreased by \$4.6 million.

Loan originations, including purchases, for the six months ended June 30, 2010 totaled \$15.3 million compared to \$97.8 million for the comparable period in 2009. Loan repayments, including loan sales, totaled \$22.3 million for the six months ended June 30, 2010 and 2009. Loans transferred to real estate owned ("REO") during 2010 totaled \$4.0 million.

The Company experienced strong deposit growth during the first six months of 2010. Deposit balances increased by \$28.7 million, or 7.4%, to \$414.1 million at June 30, 2010 from \$385.5 million at December 31, 2009. This growth is attributable to the online banking campaign we conducted during the second quarter of 2010 to strengthen liquidity. Core deposits (NOW, demand, money market and passbook accounts) represented 27% of total deposits at June 30, 2010 compared to 30% at December 31, 2009 and CDs represented 73% of total deposits at June 30, 2010 compared to 70% at December 31, 2009. Included in CDs are brokered deposits, which decreased \$31.7 million, or 31%, in the first six months of 2010 and represented 17% of total deposits at June 30, 2010, compared to 26% at December 31, 2009.

Stockholders' equity was \$33.2 million, or 6% of the Company's total assets at June 30, 2010. At June 30, 2010, the Bank's Total Risk-Based Capital ratio was 12.00%, its Tier 1 Risk-Based Capital ratio was 10.72%, and its Tangible Capital ratio was 7.68%. The Company is currently considering plans to increase capital, including possible sales of common stock, to further strengthen the Bank's capital ratios, and position the Bank for future growth.

### **Asset Quality**

At June 30, 2010, non-performing assets were \$37.3 million, or 6.77% of total assets, compared to \$37.0 million, or 7.10% of total assets, at December 31, 2009. Total NPAs at June 30, 2010 were comprised of \$32.9 million in non-accrual loans and \$4.5 million in REO. During the latest quarter, non-accrual loans declined by \$1.2 million from the balance at the end of the first quarter of 2010 and by \$2.1 million from the balance at the end of 2009. These loans consist of delinquent loans that are 90 days or more past due and troubled debt restructurings that do not qualify for accrual status. The non-accrual loans included \$19.1 million of commercial real estate loans, \$5.1 million of one-to-four family residential real estate loans, \$2.3 million of multi-family residential real estate loans, \$4.0 million of commercial loans and \$2.3 million of secured consumer loans. During the second quarter, REO increased by \$2.3 million from the end of the first quarter

and by \$2.4 million from the end of 2009. At June 30, 2010 the Bank's REO consisted of three one-to-four family residential properties and five commercial real estate properties, three of which are church buildings. We are continuing to monitor our portfolio closely and working with borrowers to maximize the value of our assets. In addition, we are pursuing selective sales of classified assets and REO.

At June 30, 2010 our allowance for loan losses was \$18.5 million, or 4.2% of our gross loans, compared to \$20.5 million, or 4.5% of our gross loans, at year-end 2009. The \$2.0 million decrease reflects charge-offs of \$2.9 million and provision for loan losses of \$883 thousand during the first six months of 2010.

### **Regulatory Matters**

As reported in the Company's most recent Form 10-K Annual Report the Company and the Bank are currently considered by the Office of Thrift Supervision (the "OTS") to be "in troubled condition." The OTS has requested that the Company and the Bank consent to the issuance of a cease and desist order requiring, among other things, that the Company and the Bank take remedial actions to improve the Bank's loan underwriting and internal asset review procedures, to reduce the amount of its non-performing assets and to improve other aspects of the Bank's business, as well as the Company's management of its business and the oversight of the Company's business by the Board. The cease and desist order would require that the Bank attain, and thereafter maintain, a Tier 1 (Core) Capital to Adjusted Total Assets ratio of at least 8% and a Total Risk-Based Capital to Risk-Weighted Assets ratio of at least 12%, both of which ratios are greater than the respective 6% and 10% levels for such ratios that are generally required under OTS regulations.

### **Forward-Looking Statements**

Certain matters discussed in this news release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to, among other things, expectations regarding the business environment in which the Company operates, projections of future performance, perceived opportunities in the market, and statements regarding strategic objectives. These forward-looking statements are based upon current management expectations, and involve risks and uncertainties. Actual results or performance may differ materially from those suggested, expressed, or implied by the forward-looking statements due to a wide range of factors including, but not limited to, the general business environment, the real estate market, competitive conditions in the business and geographic areas in which the Company conducts its business, regulatory actions or changes and other risks detailed in the Company's reports filed with the Securities and Exchange Commission, including the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

### **About Broadway Federal Bank**

Broadway Federal Bank, f.s.b. is the leading community-oriented savings bank in Southern California serving low to moderate income communities. We offer a variety of residential and commercial real estate loan products for consumers, businesses, and non-profit organizations, other loan products, and a variety of deposit products, including checking, savings and money market accounts, certificates of deposits and retirement accounts. The Bank operates five full service branches, four in the city of Los Angeles, and one located in the nearby city of Inglewood, California.

Shareholders, analysts and others seeking information about the Company are invited to write to: Broadway Financial Corporation, Investor Relations, 4800 Wilshire Blvd., Los Angeles, CA 90010, or visit our website at [www.broadwayfederalbank.com](http://www.broadwayfederalbank.com).