BROADWAY FINANCIAL CORP \DE\
Form 8-K
February 09, 2004

UNITED STATES

SECURITITES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 5, 2004

Broadway Financial Corporation
(Exact name of registrant as specified in its charter)

Delaware 95-4547287
(State of Incorporation) (IRS Employer Identification No.)

4800 Wilshire Boulevard, Los Angeles, California 90010
(Address of Principal Executive Offices)

(323) 634-1700
(Issuer's Telephone Number, Including Area Code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

1

Item 7. Exhibits

(c) Exhibit 99.1

Copy of Press Release on earnings for the quarter and year ended December 31, 2003.

Item 12. Results of Operations and Financial Condition

On February 5, 2004, Broadway Financial Corporation issued a Press Release on earnings for the quarter and year ended December 31, 2003. A copy of the Press Release is attached as Exhibit 99.1.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BROADWAY FINANCIAL CORPORATION
(Registrant)

Date: February 9 2004

/s/ Alvin D. Kang
(Signature)

Name: Alvin D. Kang
Chief Financial Officer

2

EXHIBIT INDEX

Exhibit No.	Exhibit	Page No.
99.1	Press Release	4

3

News Release

FOR IMMEDIATE RELEASE

Contact: Paul C. Hudson, President/CEO
Alvin D. Kang, CFO
(323) 634-1700
www.broadwayfed.com

Broadway Financial Corporation Reports Record Earnings

LOS ANGELES, CA - (BUSINESS WIRE) - February 5, 2004 - Broadway Financial Corporation (the "Company") (NASDAQ Small-Cap: BYFC), the holding company of Broadway Federal Bank, f.s.b. (the "Bank"), today reported record net earnings of $1,549,000, or $0.77 per diluted share, for the year ended December 31, 2003, compared to $1,441,000, or $0.77 per diluted share, for the year ended December 31, 2002, an increase of 7.49%. Fourth quarter 2003 net earnings amounted to $450,000, or $0.22 per diluted share, compared to $353,000, or $0.18 per diluted share, for the fourth quarter of 2002, an increase of 27.48%

President and CEO Paul C. Hudson stated, "Sound asset/liability management and solid loan growth were the keys to our success in 2003." Hudson also noted, "In our 2002 annual report, we stated that in 2003 we would focus on growing the loan portfolio, and managing our liabilities and expenses. We were successful in producing a 37% increase in loans, and a 15% increase in deposits, including a 22% increase in core deposits, which offset a 51 basis point decrease in the primary spread."

During the year, management focused on managing the mix of assets and liabilities, and on increasing interest-earning assets to offset anticipated margin compression. The following was achieved:

Net loans receivable increased $52.0 million or 37.14% from $140.1 million at December 31, 2002 to $192.1 million at December 31, 2003. Gross loan originations grew from $31.3 million in 2002 to $83.0 million in 2003, with fourth quarter gross loan originations growing from $10.9 million in 2002 to $45.2 in 2003. The record level of originations was tempered by the increase in loan repayments, which increased from $29.6 million in 2002 to $51.5 million in 2003. Management augmented loan originations in 2003 by purchasing loans amounting to $17.8 million. The weighted average interest rate ("WAIR") on loans decreased from 6.84% at December 31, 2002 to 6.04% at December 31, 2003, a decline of 80 basis points.

Agency mortgage-backed securities ("MBS") decreased from $38.5 million at December 31, 2002 to $15.4 million at December 31, 2003. During 2002 hybrid adjustable rate loan MBS were purchased to put excess liquidity to work while the loan volume was being ramped up. During 2003, as loan volume increased, the MBS were sold and the proceeds were used to fund loan originations. MBS investments were primarily five and seven year hybrid adjustable rate securities that provided higher yields than other short term investments, and also generated net gains on sale of $99,000 in 2003.

Total deposits grew by $23.8 million, from $156.1 million at December 31, 2002 to $179.9 million at December 31, 2003. Core deposits (NOW, money market, and passbook accounts) increased by $15.2 million, while Jumbo certificates of deposit (CDs) increased by $1.4 million, and other CDs increased by $7.2 million. Management focused on extending CD maturities in the current low interest rate environment, and was able to increase the weighted average term of CD maturities from 18 months at year-end 2002 to 25 months at year-end 2003. The WAIR on deposits decreased from 2.12% at December 31, 2002 to 1.72% at December 31, 2003, a decline of 40 basis points.

FHLB advances remained flat as this facility was used primarily for short-term needs since deposit growth and MBS sales were sufficient to fund loan growth. The WAIR decreased from 2.67% at December 31, 2002 to 2.46% at December 31, 2003 a 21 basis point decrease.

Our asset/liability management strategies described above, resulted in the following:

Net interest income before recovery of loan losses increased from $7.9 million in 2002 to $8.4 million in 2003. The increase of $0.5 million resulted from a $1.2 million increase in net interest income attributable to the effect of a $29.4 million increase in average net interest earning assets, offset by a $0.7 million decrease in net interest income attributable to a 35 basis point decrease in the WAIR spread from 4.24% during 2002 compared to 3.89% during 2003.

Average interest-earning assets increased by $29.4 million or 16.37%, from $179.6 million in 2002 to $209.0 million in 2003, due to increasing loan originations and an increase in purchased mortgage-backed securities.

Deposit cost of funds declined more slowly than the yield on the loan portfolio in the low interest rate environment experienced in 2003, resulting in a decrease in the primary spread (WAIR on loans minus WAIR on deposits) from 5.32% during 2002 to 4.81% during 2003, a decrease of 51 basis points.

The WAIR on deposits decreased from 2.42% during 2002 to 1.83% during 2003, a decline of 59 basis points.

The WAIR on loans decreased from 7.74% during 2002 to 6.64% during 2003, a decline of 110 basis points.

The WAIR on MBS decreased from 5.34% during 2002 to 3.78% during 2003, a decline of 156 basis points. The WAIR on other investments increased from

3.99% during 2002 to 4.08% during 2003, an increase of 9 basis points.

The WAIR on FHLB advances decreased from 5.41% during 2002 to 2.49% during 2003, or 292 basis points.

The allowance for loan losses as a percentage of total loans decreased from 0.98% at December 31, 2002 to 0.67% at December 31, 2003. During 2003 and 2002 no additional provisions for loan losses were considered necessary based on periodic analyses of the credit quality of the loan portfolio. During the fourth quarter of 2003, $826,000 of loans classified as substandard, were paid in full. As a primary result, classified assets decreased from $1,046,000 at December 31, 2002 to $94,000 at December 31, 2003. The Bank had no foreclosed real estate assets at December 31, 2003 and 2002.

2

Non-performing assets to total assets improved from 0.07 % at December 31, 2002, to 0.03% at December 31, 2003. Total non-performing assets at December 31, 2003 were $80,000 compared to $135,000 at December 31, 2002. Delinquent loans 60 or more days past due were $80,000 at December 31, 2003 compared to $149,000 at December 31, 2002.

The return on average equity decreased from 9.32% in 2002 to 9.08% in 2003, due in part to the Company's issuance of $1 million in Series B non-cumulative, non-voting Preferred Stock to Fannie Mae in the fourth quarter of 2002. The return on average assets decreased from 0.77% in 2002 to 0.71% in 2003 as average assets increased 15.98%. The efficiency ratio decreased from 74.35% in 2002 to 74.01% in 2003. The ratio of non-interest expense to average assets decreased from 3.53% in 2002 to 3.28% in 2003. Comparing fourth quarter 2003 and 2002, the performance ratios all improved, with the return on average equity improving to 9.84% from 8.76%, and the efficiency ratio improving to 71.52% from 75.09%. At December 31, 2003, the Bank met the capital requirements necessary to be deemed "well capitalized" for regulatory capital purposes.

Broadway Federal Bank, f.s.b. is a community-oriented savings bank, which primarily originates residential mortgage loans and conducts funds acquisition in the geographic areas known as Mid-City and South Los Angeles. The Bank operates four full service branches, three in the city of Los Angeles, and one located in the nearby city of Inglewood, California.

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 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-KSB and Quarterly Reports on Form 10-QSB.

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.broadwayfed.com.

BROADWAY FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in thousands, except share amounts)
(Unaudited)

	December 31, 2003	Dece 2
Assets:		
Cash	$ 5,029	$
Fed funds sold	2,600	
Interest bearing deposits	-	
Investment securities available for sale	-	
Investment securities held to maturity	3,996	
Mortgage-backed securities available for sale	9,122	2
Mortgage-backed securities held to maturity	6,317	1
Loans receivable held for sale, at lower of cost or fair value	1,671	
Loans receivable, net	192,116	14
Accrued interest receivable	883	
Investments in capital stock of Federal Home Loan Bank, at cost	1,789	
Office properties and equipment, net	5,603	
Other assets	689	
Total assets	$ 229,815	$ 20
Liabilities and stockholders' equity		
Deposits	$ 179,907	$ 15
Advances from Federal Home Loan Bank	28,502	2
Advance payments by borrowers for taxes and insurance	324	
Deferred income taxes	846	
Other liabilities	2,045	
Total liabilities	211,624	18
Stockholders' Equity:		
Preferred non-convertible, non-cumulative, and non-voting stock, $.01 par value, authorized 1,000,000 shares; issued and outstanding 155,199 shares at December 31, 2003 and December 31, 2002	2	
Common stock, $.01 par value, authorized 3,000,000 shares; issued and outstanding 1,832,507 shares at December 31, 2003 and 1,815,294 shares at December 31, 2002	10	
Additional paid-in capital	10,507	1
Accumulated other comprehensive gain (loss), net of taxes	(68)	
Retained earnings-substantially restricted	8,207	
Treasury stock-at cost, 36,435 shares at December 31, 2003 and 53,684 shares at December 31, 2002	(375)	
Unearned Employee Stock Ownership Plan shares	(92)	
Total stockholders' equity	18,191	1

Total liabilities and stockholders' equity	$ 229,815	$ 20

4

BROADWAY FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Operations
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Year End December
	2003	2002	2003
Interest on loans receivable	$ 2,757	$ 2,564	$ 10,426 $
Interest on investment securities	58	98	194
Interest on mortgage-backed securities	286	497	1,438
Other interest income	8	36	111
Total interest income	3,109	3,195	12,169
Interest on deposits	746	852	3,061
Interest on borrowings	185	431	741
Total interest expense	931	1,283	3,802
Net interest income before recovery of loan losses	2,178	1,912	8,367
Recovery of loan losses	(117)	(142)	(117)
Net interest income after recovery of loan losses	2,295	2,054	8,484
Non-interest income:			
Service charges	248	171	1,021
Gain on sale of loans and mortgage-backed securities	23	66	126
Other	4	5	31
Total non-interest income	275	242	1,178
Non-interest expense:			
Compensation and benefits	1,014	937	4,000
Occupancy expense, net	237	261	1,032
Information services	154	154	588
Professional services	97	133	469
Office services and supplies	93	80	408
Other	243	159	654
Total non-interest expense	1,838	1,724	7,151
Earnings before income taxes	732	572	2,511
Income taxes	282	219	962

Net earnings	$ 450	$ 353	$ 1,549	$
Other comprehensive income (loss):				
Unrealized gain (loss) on securities available for sale	$ (163)	$ 15	$ (304)	$
Reclassification of realized net gains included in net earnings	9	66	94	
Income tax benefit (expense)	60	(34)	85	
Other comprehensive income (loss)	(94)	47	(125)	
Comprehensive earnings	$ 356	$ 400	$ 1,424	$
Net earnings	450	353	1,549	
Dividends paid on preferred stock	(19)	(19)	(78)	
Earnings available to common shareholders	$ 431	$ 334	$ 1,471	$
Earnings per share-basic	$ 0.24	$ 0.19	$0.82	$
Earnings per share-diluted	$ 0.22	$ 0.18	$0.77	$
Dividend declared per share-common stock	$ 0.04	$ 0.04	$0.15	$
Basic weighted average shares outstanding	1,813,527	1,783,600	1,799,465	1,
Diluted weighted average shares outstanding	1,918,989	1,845,276	1,900,794	1,

5

BROADWAY FINANCIAL CORPORATION
AND SUBSIDIARIES
Selected Ratios and Data
(Dollars in thousands)

	As of December 31, 2003	2002	Well-Capitalized Requirement
Broadway Federal Bank, f.s.b. Regulatory Capital Ratios:			
Tangible capital	7.52%	7.01%	5.00%
Core capital	7.52%	7.01%	6.00%
Total Risk-Based Capital	11.92%	13.15%	10.00%
Asset Quality Ratios and Data:			
Non-performing loans as a percentage of total gross loans	0.04%	0.09%	
Non-performing assets as a percentage of total assets	0.03%	0.07%	
Allowance for loan losses as a percentage of total gross loans	0.67%	0.98%	
Allowance for loan losses as a percentage of non-performing loans	1640.00%	1058.52%	
Allowance for losses as a percentage of non-performing assets	1640.00%	1058.52%	

Non-performing assets:

Non-accrual loans	$ 80	$ 135
Real estate acquired through foreclosure	-	-
Total non-performing assets	$ 80	$ 135

	Three Months Ended December 31		Year Ended December 31	
	2003	2002	2003	2002
Performance Ratios:				
Return on average assets	0.79%	0.68%	0.71%	0.77%
Return on average equity	9.84%	8.76%	9.08%	9.32%
Average equity to average assets	7.99%	7.78%	7.83%	8.23%
Non-interest expense to average assets	3.21%	3.33%	3.28%	3.53%
Efficiency ratio (3)	71.52%	75.09%	74.01%	74.35%
Net interest rate spread (1)	3.87%	3.65%	3.89%	4.24%
Effective net interest rate spread (2)	3.99%	3.84%	4.00%	4.40%

(1) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of interest-bearing liabilities before recovery of loan losses.

(2) Effective net interest rate spread represents net interest income before recovery of loan losses as a percentage of average interest-earning assets.

(3) Efficiency ratio represents non-interest expense divided by net interest income after recovery of loan losses plus non-interest income.

BROADWAY FINANCIAL CORPORATION
AND SUBSIDIARIES
Support for Calculations
(Dollars in thousands)

	Three Months Ended December 31		Year Ended December 31	
	2003	2002	2003	2
Total assets	$ 229,815	$ 204,906	$ 229,815	$ 204
Total gross loans	$ 195,691	$ 146,455	$ 195,691	$ 146
Total equity	$ 18,191	$ 16,921	$ 18,191	$ 16
Average assets	$ 228,772	$ 207,385	$ 217,799	$ 187
Average loans	$ 173,224	$ 140,204	$ 156,902	$ 139
Average equity	$ 18,285	$ 16,126	$ 17,051	$ 15
Average interest-earning assets	$ 218,386	$ 199,394	$ 209,003	$ 179

Average interest-bearing liabilities	$ 204,372	$ 186,116	$ 196,629	$ 169
Net income	$ 450	$ 353	$ 1,549	$ 1
Total income	$ 2,570	$ 2,296	$ 9,662	$ 8
Non-interest expense	$ 1,838	$ 1,724	$ 7,151	$ 6
Efficiency ratio	71.52%	75.09%	74.01%	7
Non-accrual loans	$ 80	$ 135	$ 80	$
REO, net	$ -	$ -	$ -	$
ALLL	$ 1,312	$ 1,429	$ 1,312	$ 1
REO-Allowance	$ -	$ -	$ -	$
Interest income	$ 3,109	$ 3,195	$ 12,169	$ 12
Interest expense	$ 931	$ 1,283	$ 3,802	$ 4
Net interest income before provision	$ 2,178	$ 1,912	$ 8,367	$ 7