

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2026

☐ TRANSITION REPORT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from _____ to _____

Commission file number 001-39043

BROADWAY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-4547287

(I.R.S. Employer Identification No.)

4601 Wilshire Boulevard, Suite 150

Los Angeles, California

(Address of principal executive offices)

90010

(Zip Code)

(323) 634-1700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, par value \$0.01 per share (including attached preferred stock purchase rights)	BYFC	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of August 7, 2026, 6,180,579 shares of the registrant's Class A voting common stock, 1,425,404 shares of the registrant's Class B non-voting common stock and 1,672,562 shares of the registrant's Class C non-voting common stock were outstanding.

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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Condition
(In thousands, except share and per share amounts)

	<u>June 30, 2026</u> <u>(Unaudited)</u>	<u>December 31, 2025</u>
Assets:		
Cash and due from banks	\$ 2,135	\$ 1,676
Interest-bearing deposits in other banks	46,770	8,831
Cash and cash equivalents	48,905	10,507
Securities available-for-sale, at fair value (amortized cost of \$337,681 and \$265,371)	327,030	256,835
Loans receivable held for investment, net of allowance of \$10,799 and \$9,424	1,126,539	1,016,540
Accrued interest receivable	6,746	5,999
Federal Home Loan Bank (“FHLB”) stock	5,464	4,417
Federal Reserve Bank (“FRB”) stock	3,543	3,543
Office properties and equipment, net	8,782	8,732
Bank owned life insurance	24,179	23,663
Deferred tax assets, net	7,312	6,711
Core deposit intangible, net	1,308	1,460
Other assets	3,891	7,162
Total assets	\$ 1,563,699	\$ 1,345,569
Liabilities and equity		
Liabilities:		
Deposits	\$ 1,114,651	\$ 917,603
Borrowings	94,000	72,000
Securities sold under agreements to repurchase	81,928	80,773
Accrued expenses and other liabilities	10,639	12,236
Total liabilities	1,301,218	1,082,612
Equity:		
Non-Cumulative Redeemable Perpetual Preferred stock, Series C; authorized 150,000 shares at June 30, 2026 and December 31, 2025; issued and outstanding 150,000 shares at June 30, 2026 and December 31, 2025; liquidation value \$1,000 per share	150,000	150,000
Common stock, Class A, \$0.01 par value, voting; authorized 75,000,000 shares at June 30, 2026 and December 31, 2025; issued 6,502,886 shares at June 30, 2026 and 6,409,760 shares at December 31, 2025; outstanding 6,175,658 shares at June 30, 2026 and 6,082,532 shares at December 31, 2025	65	64
Common stock, Class B, \$0.01 par value, non-voting; authorized 15,000,000 shares at June 30, 2026 and December 31, 2025; issued and outstanding 1,425,404 shares at June 30, 2026 and December 31, 2025	14	14
Common stock, Class C, \$0.01 par value, non-voting; authorized 25,000,000 shares at June 30, 2026 and December 31, 2025; issued and outstanding 1,672,562 at June 30, 2026 and December 31, 2025	17	17
Additional paid-in capital	143,494	143,194
Accumulated deficit	(14,611)	(15,238)
Unearned Employee Stock Ownership Plan (“ESOP”) shares	(3,743)	(3,869)
Accumulated other comprehensive loss, net of tax	(7,606)	(6,105)
Treasury stock-at cost, 327,228 shares at June 30, 2026 and at December 31, 2025	(5,326)	(5,326)
Total Broadway Financial Corporation and Subsidiary stockholders’ equity	262,304	262,751
Non-controlling interest	177	206
Total liabilities and equity	\$ 1,563,699	\$ 1,345,569

See accompanying notes to unaudited consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Operations and Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Interest income:				
Interest and fees on loans receivable	\$ 14,353	\$ 12,825	\$ 27,640	\$ 25,942
Interest on available-for-sale securities	3,210	1,171	5,823	2,379
Other interest income	240	401	549	877
Total interest income	17,803	14,397	34,012	29,198
Interest expense:				
Interest on deposits	6,985	4,879	12,975	9,078
Interest on borrowings	1,328	1,763	2,494	4,320
Total interest expense	8,313	6,642	15,469	13,398
Net interest income	9,490	7,755	18,543	15,800
Provision for (recapture of) credit losses	1,481	(454)	1,681	1,460
Net interest income after provision for (recapture of) credit losses	8,009	8,209	16,862	14,340
Non-interest income:				
Service charges	44	41	88	84
Grants	23	105	130	130
Earnings on bank owned life insurance	261	11	516	22
Management fees	475	37	489	87
Other	147	161	316	320
Total non-interest income	950	355	1,539	643
Non-interest expense:				
Compensation and benefits	4,253	4,412	9,139	9,696
Occupancy expense	458	485	966	1,025
Information services	804	774	1,744	1,480
Professional services	571	788	1,157	1,488
Advertising and promotional expense	56	61	180	107
Supervisory costs	179	156	364	349
Corporate insurance	56	66	111	133
Amortization of core deposit intangible	76	79	152	158
Operational loss	-	-	-	1,943
Other	1,023	701	1,678	1,340
Total non-interest expense	7,476	7,522	15,491	17,719
Income (loss) before income taxes	1,483	1,042	2,910	(2,736)
Income tax expense (benefit)	330	296	612	(790)
Net income (loss)	\$ 1,153	\$ 746	\$ 2,298	\$ (1,946)
Less: Net income (loss) attributable to non-controlling interest	185	(6)	171	(9)
Net income (loss) attributable to Broadway Financial Corporation	\$ 968	\$ 752	\$ 2,127	\$ (1,937)
Less: Preferred stock dividends	750	750	1,500	1,500
Net income (loss) attributable to common stockholders	\$ 218	\$ 2	\$ 627	\$ (3,437)
Other comprehensive (loss) income, net of tax:				
Net income (loss)	\$ 1,153	\$ 746	\$ 2,298	\$ (1,946)
Unrealized (losses) gains on securities available-for-sale arising during the period	(609)	1,327	(2,115)	3,743
Income tax effect	(178)	376	(614)	1,077
Other comprehensive (loss) income, net of tax	(431)	951	(1,501)	2,666
Comprehensive income	\$ 722	\$ 1,697	\$ 797	\$ 720
Less: Net income (loss) attributable to non-controlling interest	185	(6)	171	(9)
Comprehensive income attributable to Broadway Financial Corporation	\$ 537	\$ 1,703	\$ 626	\$ 729
Earnings (loss) per common share-basic	\$ 0.02	\$ 0.00	\$ 0.07	\$ (0.39)
Earnings (loss) per common share-diluted	\$ 0.02	\$ 0.00	\$ 0.07	\$ (0.39)

See accompanying notes to unaudited consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2026	2025
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 2,298	\$ (1,946)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for credit losses	1,681	1,460
Depreciation and amortization	217	206
Loss on disposal of office properties and equipment	77	-
Net change of deferred loan origination costs	306	229
Net accretion of premiums and discounts on available-for-sale securities	(311)	(114)
Accretion of purchase accounting marks on loans	(95)	(151)
Amortization of core deposit intangible	152	158
Director compensation expense-common stock	168	168
Stock-based compensation expense	113	210
ESOP compensation expense	146	99
Earnings on bank owned life insurance	(516)	(22)
Change in assets and liabilities:		
Net change in deferred taxes	13	(838)
Net change in accrued interest receivable	(747)	(108)
Net change in other assets	3,271	417
Net change in accrued expenses and other liabilities	(1,597)	(1,105)
Net cash provided by (used in) operating activities	<u>5,176</u>	<u>(1,337)</u>
Cash flows from investing activities:		
Net change in loans receivable held for investment	(111,891)	21,298
Principal payments on and maturities of available-for-sale securities	28,868	51,390
Purchases of available-for-sale securities	(100,867)	(21,648)
Purchase of FHLB stock	(14,171)	(6,484)
Proceeds from redemption of FHLB stock	13,124	12,360
Purchase of office properties and equipment	(344)	(28)
Net cash (used in) provided by investing activities	<u>(185,281)</u>	<u>56,888</u>
Cash flows from financing activities:		
Net change in deposits	197,048	53,523
Net change in securities sold under agreements to repurchase	1,155	(2,824)
City First Bank Fund Manager II distribution	(200)	-
Dividends paid on ECIP preferred stock	(1,500)	(1,500)
Proceeds from secured borrowings	-	2,288
Repayments of secured borrowings	-	(3,357)
Proceeds from FHLB borrowings	449,250	376,500
Repayments of FHLB borrowings	(427,250)	(512,032)
Net cash provided by (used in) financing activities	<u>218,503</u>	<u>(87,402)</u>
Net change in cash and cash equivalents	38,398	(31,851)
Cash and cash equivalents at beginning of the period	10,507	61,365
Cash and cash equivalents at end of the period	<u>\$ 48,905</u>	<u>\$ 29,514</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 15,433	\$ 12,729
Cash paid for income taxes	173	-

See accompanying notes to unaudited consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Equity
(Unaudited)

	Three Month Periods Ended June 30, 2026 and 2025									
	Preferred Stock Non- Voting	Common Stock Voting	Common Stock Non- Voting	Additional Paid-in Capital	Accumulated Other Comprehensive Loss, Net	(Accumulated Deficit) Retained Earnings	Unearned ESOP Shares	Treasury Stock	Non- Controlling Interest	Total Equity
	(In thousands)									
Balance at March 31, 2026	\$ 150,000	\$ 65	\$ 31	\$ 143,520	\$ (7,175)	\$ (14,829)	\$ (3,806)	\$ (5,326)	\$ 192	\$262,672
Net income	-	-	-	-	-	968	-	-	185	1,153
Release of unearned ESOP shares	-	-	-	(5)	-	-	63	-	-	58
Stock-based compensation expense	-	-	-	(21)	-	-	-	-	-	(21)
Dividends declared and paid - preferred	-	-	-	-	-	(750)	-	-	-	(750)
City First Bank Fund Manager II Distribution	-	-	-	-	-	-	-	-	(200)	(200)
Other comprehensive loss, net of tax	-	-	-	-	(431)	-	-	-	-	(431)
Balance at June 30, 2026	\$ 150,000	\$ 65	\$ 31	\$ 143,494	\$ (7,606)	\$ (14,611)	\$ (3,743)	\$ (5,326)	\$ 177	\$262,481
Balance at March 31, 2025	\$ 150,000	\$ 64	\$ 31	\$ 143,169	\$ (9,508)	\$ 9,288	\$ (4,152)	\$ (5,326)	\$ 216	\$283,782
Net income	-	-	-	-	-	752	-	-	(6)	746
Release of unearned ESOP shares	-	-	-	(14)	-	-	63	-	-	49
Stock-based compensation expense	-	-	-	111	-	-	-	-	-	111
Dividends declared and paid - preferred	-	-	-	-	-	(750)	-	-	-	(750)
Other comprehensive income, net of tax	-	-	-	-	951	-	-	-	-	951
Balance at June 30, 2025	\$ 150,000	\$ 64	\$ 31	\$ 143,266	\$ (8,557)	\$ 9,290	\$ (4,089)	\$ (5,326)	\$ 210	\$284,889

Six Month Periods Ended June 30, 2026 and 2025										
	Preferred Stock Non- Voting	Common Stock Voting	Common Stock Non- Voting	Additional Paid-in Capital	Accumulated Other Comprehensive Loss, Net	(Accumulated Deficit) Retained Earnings	Unearned ESOP Shares	Treasury Stock	Non- Controlling Interest	Total Equity
(In thousands)										
Balance at December 31, 2025	\$ 150,000	\$ 64	\$ 31	\$ 143,194	\$ (6,105)	\$ (15,238)	\$ (3,869)	\$ (5,326)	\$ 206	\$262,957
Net income	-	-	-	-	-	2,127	-	-	171	2,298
Release of unearned ESOP shares	-	-	-	20	-	-	126	-	-	146
Stock-based compensation expense	-	1	-	112	-	-	-	-	-	113
Director stock compensation expense	-	-	-	168	-	-	-	-	-	168
Dividends declared and paid - preferred	-	-	-	-	-	(1,500)	-	-	-	(1,500)
City First Bank Fund Manager II Distribution	-	-	-	-	-	-	-	-	(200)	(200)
Other comprehensive loss, net of tax	-	-	-	-	(1,501)	-	-	-	-	(1,501)
Balance at June 30, 2026	\$ 150,000	\$ 65	\$ 31	\$ 143,494	\$ (7,606)	\$ (14,611)	\$ (3,743)	\$ (5,326)	\$ 177	\$262,481
Balance at December 31, 2024	\$ 150,000	\$ 63	\$ 31	\$ 142,902	\$ (11,223)	\$ 12,727	\$ (4,201)	\$ (5,326)	\$ 219	\$285,192
Net loss	-	-	-	-	-	(1,937)	-	-	(9)	(1,946)
Release of unearned ESOP shares	-	-	-	(13)	-	-	112	-	-	99
Stock-based compensation expense	-	1	-	209	-	-	-	-	-	210
Director stock compensation expense	-	-	-	168	-	-	-	-	-	168
Dividends declared and paid - preferred	-	-	-	-	-	(1,500)	-	-	-	(1,500)
Other comprehensive income, net of tax	-	-	-	-	2,666	-	-	-	-	2,666
Balance at June 30, 2025	\$ 150,000	\$ 64	\$ 31	\$ 143,266	\$ (8,557)	\$ 9,290	\$ (4,089)	\$ (5,326)	\$ 210	\$284,889

See accompanying notes to unaudited consolidated financial statements.

BROADWAY FINANCIAL CORPORATION AND SUBSIDIARY
Notes to Unaudited Consolidated Financial Statements

NOTE 1 – Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements include Broadway Financial Corporation (the “Company”) and its wholly owned subsidiary, City First Bank, National Association (the “Bank” and, together with the Company, “City First Broadway”). Also included in the unaudited consolidated financial statements are the following subsidiaries of City First Bank: 1432 U Street LLC, Broadway Service Corporation, City First Real Estate LLC, City First Real Estate II LLC, City First Real Estate III LLC, City First Real Estate IV LLC, and CF New Markets Advisors, LLC (“CFNMA”). In addition, CFNMA also consolidates CFC Fund Manager II, LLC; City First New Markets Fund II, LLC; and City First Capital IX, LLC into its financial results. All significant intercompany balances and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions for quarterly reports on Form 10-Q. These unaudited consolidated financial statements do not include all disclosures associated with the Company’s consolidated annual financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2025, (the “2025 Form 10-K”) and, accordingly, should be read in conjunction with such audited consolidated financial statements. In the opinion of management, all adjustments (all of which are normal and recurring in nature) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2026 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026.

The Company operates one reportable segment — banking. The Company’s chief executive officer is its chief operating decision maker (“CODM”). The CODM assesses operating performance and manages the allocation of resources primarily based on the Company’s consolidated operating results and financial condition. The factors considered in making this determination include that all of the banking products and services offered by the Company are available in each branch of the Company, management does not allocate resources based on the performance of different lending or transaction activities, and how information is reviewed by the chief executive officer and other key decision makers. The CODM uses consolidated net income to benchmark the Company against its competitors and to monitor budget to actual results. As a result, the Company determined that all services offered relate to banking. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses and payroll provide the significant expenses in the banking operation. See the Company’s operating segment information in the unaudited consolidated statements of financial condition and the unaudited consolidated statements of operations and comprehensive income.

Accounting Pronouncements Recently Issued

In November of 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2025-08 – *Financial Instruments-Credit Losses (Topic 326): Purchased Loans*. The amendments in this ASU expand the population of acquired financial assets subject to the “gross-up” approach in Accounting Standards Codification (“ASC”) Topic 326. In accordance with this ASC, loans (excluding credit card loans) acquired without evidence of credit deterioration since their origination that are deemed to be “seasoned” (as defined in the Codification) are determined to be “purchased seasoned loans” and are to be accounted for using the gross-up approach at acquisition. Prior to this ASU, for loans that were not determined to be purchased credit deteriorated loans, GAAP required that an allowance for credit losses be established for purchased loans through a provision for credit losses at the acquisition date. The gross-up approach allows an entity to record the acquisition-date allowance for credit losses for purchased seasoned loans through an offsetting addition to the amortized cost basis of the loan (rather than through the provision for credit losses). The ASU does not impact the accounting for loans that were acquired in periods prior to adoption of the ASU. The amendments in ASU 2025-08 will become effective for the Company in the first quarter of 2027; early adoption is permitted. The amendments in the ASU will not affect the Company’s accounting for loans in its portfolio on the date of adoption; however, loans acquired after the adoption date will be accounted for in accordance with the provisions of this ASU.

In December of 2025, the FASB issued ASU 2025-10 – *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*. Prior to the issuance of this ASU, GAAP did not provide authoritative guidance about the recognition, measurement, and presentation of a grant received by a business entity from a government. The amendments in this ASU establish the accounting for a government grant received by a business entity, including guidance for (1) a grant related to an asset and (2) a grant related to income. The newly issued guidance requires that a government grant received by a business entity should not be recognized until: (1) it is probable that a business entity will comply with the conditions attached to the grant and that the grant will be received; and (2) a business entity meets the recognition guidance for a grant related to an asset or a grant related to income. The ASU also prescribes requirements for the subsequent income recognition, presentation matters, and financial statement disclosures related to government grants. The guidance in this ASU will be effective for the Company beginning on January 1, 2029. Early adoption is permitted. The requirements in this ASU are similar to the guidance that the Company has been applying for accounting for government grants by analogy to guidance issued by other accounting standard setters and authoritative bodies. The Company does not expect that the adoption of this guidance will materially impact its financial condition or results of operations.

In December of 2025, the FASB issued ASU 2025-11 – *Interim Reporting (Topic 270): Narrow-Scope Improvements*. The amendments in this guidance clarify interim disclosure requirements and the applicability of ASC 270 by providing a comprehensive list of interim period disclosures that are required by GAAP. The updates in ASU 2025-11 also include a disclosure principal that requires entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. The amendments in ASU 2025-11 will become effective for the Company for interim reporting periods beginning in the first quarter of 2028. Early adoption is permitted. The amendments in this ASU are not expected to have a material effect on the Company's financial position or results of operations; however, the required disclosures will be added to the Company's interim financial statements issued after the effective date.

Except as discussed below, our accounting policies are described in Note 1 – Summary of Significant Accounting Policies of our audited consolidated financial statements included in the 2025 Form 10-K.

Allowance for Credit Losses - Loans

The Company accounts for credit losses on loans in accordance with ASC 326, which requires the Company to record an estimate of expected lifetime credit losses for loans at the time of origination or acquisition. The allowance for credit losses ("ACL") is maintained at a level deemed appropriate by management to provide for expected credit losses in the portfolio as of the date of the consolidated statements of financial condition. Estimating expected credit losses requires management to use relevant forward-looking information, including the use of reasonable and supportable forecasts. The measurement of the ACL is performed by collectively evaluating loans with similar risk characteristics.

During the quarter ended March 31, 2026, the Company transitioned from using the weighted average remaining maturity ("WARM") method for measuring the ACL to a discounted cash flow ("DCF") method. Concurrently, the Company also changed the way that qualitative factors are applied in the estimation of the ACL. These changes are intended to improve the precision of the expected credit loss calculations. These changes are considered a change in accounting estimate, rather than a change in accounting principle, as they result from an improved estimation methodology rather than a fundamental change in the underlying accounting framework. The changes in estimation techniques and certain related inputs and assumptions used to estimate expected credit losses on the Company's loan portfolio and unfunded commitments did not materially impact the Company's results of operations or financial condition.

The Company's DCF methodology incorporates a probability of default ("PD") and loss given default ("LGD") model, whereby PDs and LGDs are forecasted using economic scenarios over a reasonable and supportable period to generate estimates for cash flows expected to be collected over the estimated life of a loan. Estimates of future expected cash flows ultimately reflect assumptions made concerning net credit losses over the life of a loan. The model also incorporates management's assumptions regarding prepayments and curtailments. The use of reasonable and supportable forecasts, including the determination of the appropriate length of the forecast horizon, requires significant judgment. Management leverages peer data as well as economic projections from an independent third party to inform and provide its reasonable and supportable economic forecasts. Other internal and external indicators of economic forecasts may also be considered by management when developing the forecast metrics.

The Company's ACL model forecasts PD and LGD over a one-year time horizon, which the Company believes is a reasonable and supportable period. Beyond the one-year forecast time horizon, the Company's ACL model reverts to historical long-term average loss rates over the remaining contractual periods. The duration of the forecast horizon, the period over which forecasts revert to long-term averages, the economic forecasts that management utilizes, as well as additional internal and external indicators of economic forecasts that management considers, may change over time depending on the nature and composition of the Company's loan portfolio. Changes in economic forecasts, in conjunction with changes in loan specific attributes, impact a loan's PD and LGD, which can drive changes in the determination of the ACL.

Expectations of future cash flows are discounted at the loan's effective interest rate. The resulting ACL for a loan represents the amount by which the loan's amortized cost exceeds the net present value of a loan's discounted cash flows. The ACL is recorded through a charge to provision for credit losses and is reduced by charge-offs, net of recoveries on loans previously charged-off. It is the Company's policy to charge-off loan balances at the time they have been deemed uncollectible.

Prior to March 31, 2026, the Company measured the ACL for each of its loan segments using the WARM method. The weighted average remaining life, including the effect of estimated prepayments, was calculated for each loan pool on a quarterly basis. The Company then estimated a loss rate for each pool using both its own historical loss experience and the historical losses of a group of peer institutions during the period from 2004 through the most recent quarter.

In conjunction with the conversion to DCF methodology, the bank has adopted a new scorecard-based methodology for estimating the qualitative reserve factors. The purpose of the qualitative scorecard is to provide a framework to reliably and consistently determine reasonable and supportable qualitative estimates of the expected credit losses in the current loan portfolio compared to losses expected from the quantitative analysis. The appropriate qualitative reserve is derived by loan segment from incremental risk statuses for each qualitative factor. The risk statuses in the scorecard range from "very low risk" to "critical risk." A qualitative reserve allocation is made to each portfolio based on the risk assessment. All inputs and assumptions in the qualitative scorecard were individually assessed to determine the proper risk status, and all decisions were made independently of the previous qualitative analysis.

The Company's ACL model also includes adjustments for qualitative factors, where appropriate. Qualitative adjustments may be related to and include, but are not limited to, factors such as: (i) changes in lending policies and procedures, including changes in underwriting standards and collections, charge-offs, and recapture practices; (ii) changes in international, national, regional, and local conditions; (iii) changes in the nature and volume of the portfolio and terms of loans; (iv) changes in the experience, depth, and ability of lending management; (v) changes in the volume and severity of past due loans and other similar conditions; (vi) changes in the quality of the organization's loan review system; (vii) changes in the value of underlying collateral for collateral dependent loans; (viii) the existence and effect of any concentrations of credit and changes in the levels of such concentrations; and (ix) the effect of other external factors (i.e., competition, legal and regulatory requirements) on the level of estimated credit losses. These qualitative factors incorporate the concept of reasonable and supportable forecasts, as required by ASC 326.

The Company evaluates loans collectively for purposes of determining the ACL in accordance with ASC 326. Collective evaluation is based on aggregating loans deemed to possess similar risk characteristics. In certain instances, the Company may identify loans that it believes no longer possess risk characteristics similar to other loans in the loan portfolio. These loans are typically identified from those that have exhibited deterioration in credit quality, since the specific attributes and risks associated with such loans tend to become unique as the credit deteriorates. Such loans are typically nonperforming, downgraded to substandard or worse, and/or are deemed collateral dependent, where the ultimate repayment of the loan is expected to come from the operation of or eventual sale of the collateral. Loans that are deemed by management to no longer possess risk characteristics similar to other loans in the portfolio, or that have been identified as collateral dependent, are evaluated individually for purposes of determining an appropriate lifetime ACL. The Company uses the discounted cash flow approach, using the loan's effective interest rate, for determining the ACL on individually evaluated loans, unless the loan is deemed collateral dependent, which requires evaluation based on the estimated fair value of the underlying collateral, less estimated selling costs. The Company may increase or decrease the ACL for collateral dependent loans based on changes in the estimated fair value of the collateral.

NOTE 2 – Earnings (Loss) Per Share and Equity

Basic earnings (loss) per share of common stock is computed pursuant to the two-class method by dividing net income (loss) available to common stockholders less dividends paid on participating securities (unvested shares of restricted common stock) and any undistributed earnings attributable to participating securities by the weighted average common shares outstanding during the period. The weighted average common shares outstanding includes the weighted average number of shares of common stock outstanding less the weighted average number of unvested shares of restricted common stock. ESOP shares are considered outstanding for this calculation unless unearned. Diluted earnings per share of common stock includes the dilutive effect of unvested stock awards and additional potential common shares issuable under stock options. Unvested restricted awards are considered outstanding for this calculation.

The following table shows how the Company computed basic and diluted earnings (loss) per share of common stock for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(Dollars in thousands, except share and per share data)			
Net income (loss) attributable to Broadway Financial Corporation	\$ 968	\$ 752	\$ 2,127	\$ (1,937)
Net (income) loss attributable to participating securities	(5)	-	(15)	82
Preferred stock dividends	(750)	(750)	(1,500)	(1,500)
Net income (loss) allocated to common stock	<u>\$ 213</u>	<u>\$ 2</u>	<u>\$ 612</u>	<u>\$ (3,355)</u>
Weighted average common shares outstanding for basic earnings (loss) per common share	8,679,800	8,622,891	8,636,169	8,557,745
Add: Effects of unvested restricted stock awards	<u>194,873</u>	<u>185,576</u>	<u>209,450</u>	<u>-</u>
Weighted average common shares outstanding for diluted earnings (loss) per common share	<u>8,874,673</u>	<u>8,808,467</u>	<u>8,845,619</u>	<u>8,557,745</u>
Earnings (loss) per common share - basic	<u>\$ 0.02</u>	<u>\$ 0.00</u>	<u>\$ 0.07</u>	<u>\$ (0.39)</u>
Earnings (loss) per common share - diluted	<u>\$ 0.02</u>	<u>\$ 0.00</u>	<u>\$ 0.07</u>	<u>\$ (0.39)</u>

Series C, Senior Non-Cumulative Perpetual Preferred Stock

On June 7, 2022, the Company issued 150,000 shares of Series C Preferred Stock with a liquidation preference of \$1,000 per share for the capital investment of \$150 million from the U.S. Treasury under the Emergency Capital Investment Program ("ECIP").

The Series C Preferred Stock accrued no dividend for the first 24 months following the investment date. Thereafter, the dividend rate will be adjusted based on the qualified lending growth criteria listed in the terms of the ECIP investment with the annual dividend rate up to 2%. After the tenth anniversary of the investment date, the dividend rate will be fixed based on the average annual amount of lending in years 2 through 10. Dividends are payable quarterly in arrears on March 15, June 15, September 15, and December 15.

Established by the Consolidated Appropriations Act, 2021, the ECIP was created to encourage low- and moderate-income community financial institutions and minority depository institutions to provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, especially low-income and underserved communities, including persistent poverty counties, that may be disproportionately impacted by the economic effect of the COVID-19 pandemic by providing direct and indirect capital investments in low- and moderate-income community financial institutions.

The Series C Preferred Stock may be redeemed at the option of the Company on or after the fifth anniversary of issuance (or earlier in the event of loss of regulatory capital treatment), subject to the approval of the appropriate federal banking regulator and in accordance with the federal banking agencies' regulatory capital regulations.

On January 14, 2025, the Company entered into a Securities Purchase Option Agreement (the "Option Agreement") with the U.S. Treasury, which grants the Company the conditional option to repurchase the Series C Preferred Stock during the first 15 years following the Company's issuance of the Preferred Stock. The purchase price for the Series C Preferred Stock under the Option Agreement is based on a formula approximate to the fair value of the Series C Preferred Stock as of the date the Option Agreement is executed, calculated as set forth in the Option Agreement, together with any accrued and unpaid dividends thereon and could represent a discount from the Preferred Stock's liquidation amount.

The purchase option may not be exercised during the first 10 years following the Company's sale of the Series C Preferred Stock ("ECIP Period") unless and until the Company meets at least one of the following three conditions (the "Threshold Conditions"): (1) an average of at least 60% of the Company's loan originations qualify as "Deep Impact Lending" over any 16 consecutive quarters, (2) an average of at least 85% of the Company's total originations qualify as "Qualified Lending" over any 24 quarters or (3) the Series C Preferred Stock has a dividend rate of no more than 0.5% at each of six consecutive "Reset Dates," in each case as defined in the Option Agreement and the terms of the Series C Preferred Stock. In addition to satisfying a Threshold Condition, the Option Agreement requires that the Company meet certain other eligibility conditions in order to exercise the purchase option in the future, including compliance with the terms of the original ECIP purchase agreement and the terms of the Series C Preferred Stock, maintaining qualification as either a certified community development financial institution or a minority depository institution and satisfying other legal and regulatory criteria. Although the Company currently meets the general eligibility criteria, other than satisfying one of the Threshold Conditions, there can be no assurance that the Company will meet such criteria in the future. The Company may designate a mission aligned nonprofit affiliate as the purchaser of the Series C Preferred Stock under the terms of the Option Agreement.

The earliest possible date by which a Threshold Condition may be met is June 30, 2028 which is the end of the sixteenth consecutive quarter following the Original Closing Date and there can be no assurance if and when a Threshold Condition will be met.

The Company began paying quarterly dividends on the Series C Preferred Stock in the three month period ended June 30, 2024. Dividends on the Series C Preferred Stock totaled \$750 thousand for both the three months ended June 30, 2026 and 2025, and \$1.5 million for both the six months ended June 30, 2026 and 2025, at a dividend rate of 2.0%.

NOTE 3 – Securities

The following table summarizes the amortized cost and fair value of the available-for-sale investment securities portfolios as of the dates indicated and the corresponding amounts of unrealized gains and losses which were recognized in accumulated other comprehensive loss:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	(In thousands)			
June 30, 2026				
Federal agency mortgage-backed securities	\$ 161,575	\$ 180	\$ (8,023)	\$ 153,732
Federal agency collateralized mortgage obligations ("CMO")	99,591	294	(913)	98,972
Federal agency debt	24,426	14	(756)	23,684
Municipal bonds	4,749	-	(230)	4,519
U.S. Small Business Administration ("SBA") pools	8,702	3	(1,100)	7,605
Asset-backed securities	8,638	3	(63)	8,578
Corporate bonds	30,000	101	(161)	29,940
Total available-for-sale securities	<u>\$ 337,681</u>	<u>\$ 595</u>	<u>\$ (11,246)</u>	<u>\$ 327,030</u>
December 31, 2025:				
Federal agency mortgage-backed securities	\$ 120,372	\$ 1,109	\$ (7,051)	\$ 114,430
Federal agency CMOs	69,742	367	(652)	69,457
Federal agency debt	29,259	-	(846)	28,413
Municipal bonds	4,766	-	(244)	4,522
U. S. Treasuries	4,993	-	(6)	4,987
SBA pools	9,387	3	(1,115)	8,275
Asset-backed securities	9,352	3	(86)	9,269
Corporate bonds	17,500	57	(75)	17,482
Total available-for-sale securities	<u>\$ 265,371</u>	<u>\$ 1,539</u>	<u>\$ (10,075)</u>	<u>\$ 256,835</u>

As of June 30, 2026, securities with a fair value of \$85.7 million were pledged as collateral for securities sold under agreements to repurchase, securities with a market value of \$7.3 million were pledged as collateral for D.C. Housing, securities with a market value of \$4.1 million were pledged as collateral for D.C. Government, and securities with a market value of \$127 thousand were pledged as collateral for FRB discount window.

As of December 31, 2025, securities with a fair value of \$83.7 million were pledged as collateral for securities sold under agreements to repurchase, securities with a market value of \$7.7 million were pledged as collateral for D.C. Housing, securities with a market value of \$4.2 million were pledged as collateral for D.C. Government, and securities with a market value of \$157 thousand were pledged as collateral for FRB discount window.

Accrued interest receivable on securities was \$1.1 million and \$745 thousand at June 30, 2026 and December 31, 2025, respectively, and is included in accrued interest receivable on the consolidated statements of financial condition.

At June 30, 2026, and December 31, 2025, there were no holdings of securities by any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

The amortized cost and estimated fair value of all investment securities available-for-sale at June 30, 2026, by contractual maturities, are shown below. Contractual maturities may differ from expected maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	(In thousands)			
Due in one year or less	\$ 9,013	\$ -	\$ (164)	\$ 8,849
Due after one year through five years	21,728	2	(867)	20,863
Due after five years through ten years	43,787	95	(997)	42,885
Due after ten years	263,153	498	(9,218)	254,433
	<u>\$ 337,681</u>	<u>\$ 595</u>	<u>\$ (11,246)</u>	<u>\$ 327,030</u>

The table below indicates the length of time individual securities have been in a continuous unrealized loss position:

	<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
June 30, 2026	(In thousands)					
Federal agency mortgage-backed securities	\$ 84,940	\$ (891)	\$ 44,117	\$ (7,132)	\$ 129,057	\$ (8,023)
Federal agency CMOs	37,525	(161)	12,385	(752)	49,910	(913)
Federal agency debt	2,509	(2)	18,121	(754)	20,630	(756)
Municipal bonds	-	-	4,519	(230)	4,519	(230)
SBA pools	180	(1)	7,001	(1,099)	7,181	(1,100)
Asset-backed securities	6,702	(63)	-	-	6,702	(63)
Corporate bonds	13,339	(161)	-	-	13,339	(161)
Total unrealized loss position investment securities	<u>\$ 145,195</u>	<u>\$ (1,279)</u>	<u>\$ 86,143</u>	<u>\$ (9,967)</u>	<u>\$ 231,338</u>	<u>\$ (11,246)</u>
December 31, 2025						
Federal agency mortgage-backed securities	\$ 7,197	\$ (26)	\$ 47,717	\$ (7,025)	\$ 54,914	\$ (7,051)
Federal agency CMOs	1,488	(2)	14,804	(650)	16,292	(652)
Federal agency debt	2,512	(3)	25,901	(843)	28,413	(846)
Municipal bonds	-	-	4,522	(244)	4,522	(244)
U. S. Treasuries	-	-	4,987	(6)	4,987	(6)
SBA pools	185	(1)	7,621	(1,114)	7,806	(1,115)
Asset-backed securities	7,208	(86)	-	-	7,208	(86)
Corporate bonds	7,425	(75)	-	-	7,425	(75)
Total unrealized loss position investment securities	<u>\$ 26,015</u>	<u>\$ (193)</u>	<u>\$ 105,552</u>	<u>\$ (9,882)</u>	<u>\$ 131,567</u>	<u>\$ (10,075)</u>

At June 30, 2026, and December 31, 2025, all securities in the portfolio were current with their contractual principal and interest payments. At June 30, 2026, and December 31, 2025, there were no securities purchased with deterioration in credit quality since their origination. At June 30, 2026, and December 31, 2025, there were no collateral dependent securities.

The Company's assessment of available-for-sale investment securities as of June 30, 2026 and December 31, 2025, indicated that an ACL was not required. The Company analyzed available-for-sale investment securities that were in an unrealized loss position and determined the decline in fair value for those securities was not related to credit, but rather related to changes in interest rates and general market conditions. As such, no ACL was recorded for available-for-sale securities as of June 30, 2026 or December 31, 2025. At June 30, 2026 and December 31, 2025, approximately 90% of the securities held by the Company were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Company does not have the intent to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company did not record a provision for expected credit loss during the three or six months ended June 30, 2026 or 2025.

NOTE 4 – Loans Receivable Held for Investment

Loans receivable held for investment were as follows as of the periods indicated:

	June 30, 2026	December 31, 2025
	(In thousands)	
Real estate:		
Single-family	\$ 18,743	\$ 20,607
Multi-family	569,924	593,187
Commercial real estate	180,960	162,618
Church	8,847	9,015
Construction	90,910	72,979
Commercial – other	231,998	140,019
SBA loans	16,604	17,067
Consumer	65	38
Gross loans receivable before deferred loan costs and premiums	1,118,051	1,015,530
Unamortized net deferred loan costs and premiums	19,288	10,529
Gross loans receivable	1,137,339	1,026,059
Credit and interest marks on purchased loans, net	(1)	(95)
Allowance for credit losses	(10,799)	(9,424)
Loans receivable, net	<u>\$ 1,126,539</u>	<u>\$ 1,016,540</u>

Accrued interest receivable on loans receivable held for investment was \$5.6 million and \$5.2 million at June 30, 2026 and December 31, 2025, respectively, and is included in accrued interest receivable on the consolidated statements of financial condition.

The following tables summarize the activity in the allowance for credit losses on loans for the three months ended:

	June 30, 2026				
	<u>Beginning Balance</u>	<u>Charge-offs</u>	<u>Recoveries (In thousands)</u>	<u>Provision (Recapture)</u>	<u>Ending Balance</u>
Single-family	\$ 132	\$ -	\$ -	\$ (12)	\$ 120
Multi-family	4,383	-	-	881	5,264
Commercial real estate	1,703	-	-	84	1,787
Church	64	-	-	3	67
Construction	1,686	-	-	277	1,963
Commercial - other	1,458	(215)	-	346	1,589
SBA loans	83	(75)	-	1	9
Total	<u>\$ 9,509</u>	<u>\$ (290)</u>	<u>\$ -</u>	<u>\$ 1,580</u>	<u>\$ 10,799</u>

	June 30, 2025				
	<u>Beginning Balance</u>	<u>Charge-offs</u>	<u>Recoveries (In thousands)</u>	<u>Provision (Recapture)</u>	<u>Ending Balance</u>
Single-family	\$ 193	\$ -	\$ -	\$ (71)	\$ 122
Multi-family	6,061	-	-	227	6,288
Commercial real estate	1,285	-	-	(50)	1,235
Church	48	-	-	7	55
Construction	1,395	-	-	(104)	1,291
Commercial - other	1,200	-	-	(386)	814
SBA loans	78	-	-	(3)	75
Total	<u>\$ 10,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (380)</u>	<u>\$ 9,880</u>

The following tables summarize the activity in the allowance for credit losses on loans for the six months ended:

	June 30, 2026				
	<u>Beginning Balance</u>	<u>Charge-offs</u>	<u>Recoveries (In thousands)</u>	<u>Provision (Recapture)</u>	<u>Ending Balance</u>
Real estate:					
Single-family	\$ 132	\$ -	\$ -	\$ (12)	\$ 120
Multi-family	4,782	-	-	482	5,264
Commercial real estate	1,193	-	-	594	1,787
Church	36	-	-	31	67
Construction	2,039	-	-	(76)	1,963
Commercial - other	900	(215)	-	904	1,589
SBA loans	342	(112)	-	(221)	9
Total	<u>\$ 9,424</u>	<u>\$ (327)</u>	<u>\$ -</u>	<u>\$ 1,702</u>	<u>\$ 10,799</u>

	June 30, 2025				
	<u>Beginning Balance</u>	<u>Charge-offs</u>	<u>Recoveries (In thousands)</u>	<u>Provision (Recapture)</u>	<u>Ending Balance</u>
Single-family	\$ 200	\$ -	\$ -	\$ (78)	\$ 122
Multi-family	4,617	-	-	1,671	6,288
Commercial real estate	1,188	-	-	47	1,235
Church	54	-	-	1	55
Construction	1,564	-	-	(273)	1,291
Commercial - other	730	-	-	84	814
SBA loans	11	-	-	64	75
Total	<u>\$ 8,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 9,880</u>

The Company recorded a recapture of provision for off-balance sheet loan commitments of \$99 thousand and \$74 thousand for the three months ended June 30, 2026 and 2025, respectively. The Company recorded a recapture of provision for off-balance sheet loan commitments of \$21 thousand and \$56 thousand for the six months ended June 30, 2026 and 2025, respectively.

The ACL increased from \$9.4 million at December 31, 2025 to \$10.8 million at June 30, 2026. This increase was primarily due to loan portfolio growth, including an increase in the commercial-other portfolio, and the establishment of a specific reserve on a non-accrual loan.

The following tables present individually evaluated collateral dependent loans by collateral type as of the date indicated:

June 30, 2026				
	Single-Family	Multi-Family Residential	Business Assets	Total
	(in thousands)			
Real estate:				
Single-family	\$ 424	\$ -	\$ -	\$ 424
Multi-family	-	3,217	-	3,217
Construction	-	8,168	-	8,168
Commercial - other	-	-	46	46
Total	\$ 424	\$ 11,385	\$ 46	\$ 11,855

December 31, 2025				
	Single-Family	Multi-Family Residential	Business Assets	Total
	(in thousands)			
Real estate:				
Single-family	\$ 424	\$ -	\$ -	\$ 424
Multi-family	-	2,094	-	2,094
Construction	-	8,168	-	8,168
Commercial - other	-	-	261	261
Total	\$ 424	\$ 10,262	\$ 261	\$ 10,947

At June 30, 2026, \$11.9 million of individually evaluated loans were evaluated based on the estimated fair value of the underlying collateral. These loans had an associated ACL of \$2.7 million as of June 30, 2026. \$10.7 million of these collateral dependent loans were on non-accrual status at June 30, 2026.

At December 31, 2025, \$10.9 million of individually evaluated loans were evaluated based on the estimated fair value of the underlying collateral. These loans had an associated ACL of \$1.1 million as of December 31, 2025. All of these collateral dependent loans were on non-accrual status at December 31, 2025.

Past Due Loans

The following tables present the aging of the recorded investment in past due loans by loan type as of the dates indicated:

June 30, 2026						
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
	(In thousands)					
Loans receivable held for investment:						
Single-family	\$ -	\$ -	\$ 424	\$ 424	\$ 18,341	\$ 18,765
Multi-family	-	-	2,094	2,094	570,237	572,331
Commercial real estate	-	2,368	-	2,368	178,379	180,747
Church	-	-	-	-	8,856	8,856
Construction	15,220	5,400	8,168	28,788	61,740	90,528
Commercial - other	-	-	412	412	247,781	248,193
SBA loans	-	65	-	65	17,789	17,854
Consumer	-	-	-	-	65	65
Total	\$ 15,220	\$ 7,833	\$ 11,098	\$ 34,151	\$ 1,103,188	\$ 1,137,339

	December 31, 2025					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
	(In thousands)					
Loans receivable held for investment:						
Single-family	\$ 133	\$ -	\$ 424	\$ 557	\$ 20,070	\$ 20,627
Multi-family	6,162	-	2,094	8,256	587,535	595,791
Commercial real estate	-	-	-	-	162,445	162,445
Church	-	-	-	-	9,024	9,024
Construction	5,533	-	-	5,533	67,139	72,672
Commercial - other	-	367	261	628	146,366	146,994
SBA loans	-	-	222	222	18,246	18,468
Consumer	-	-	-	-	38	38
Total	\$ 11,828	\$ 367	\$ 3,001	\$ 15,196	\$ 1,010,863	\$ 1,026,059

The following tables present the recorded investment in non-accrual loans by loan type as of the dates indicated:

	June 30, 2026		
	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with an Allowance for Credit Losses	Total Nonaccrual Loans
		(In thousands)	
Loans receivable held for investment:			
Commercial - other	\$ 46	\$ 366	\$ 412
SBA loans	65	-	65
Single-family	424	-	424
Multi-family	-	2,094	2,094
Construction	-	8,168	8,168
Total non-accrual loans	\$ 535	\$ 10,628	\$ 11,163

	December 31, 2025		
	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with an Allowance for Credit Losses	Total Nonaccrual Loans
		(In thousands)	
Loans receivable held for investment:			
Real Estate:			
Single-family	\$ 424	\$ -	\$ 424
Multi-family	2,094	-	2,094
Construction	-	8,168	8,168
Commercial - other	261	-	261
SBA loans	-	222	222
Total non-accrual loans	\$ 2,779	\$ 8,390	\$ 11,169

There were no loans 90 days or more delinquent that were accruing interest as of June 30, 2026 or December 31, 2025.

Modified Loans to Troubled Borrowers

GAAP requires that certain types of modifications of loans in response to a borrower's financial difficulty be reported, which consist of the following: (i) principal forgiveness, (ii) interest rate reduction, (iii) other-than-insignificant payment delay, (iv) term extension, or (v) any combination of the foregoing. The ACL for loans that were modified in response to a borrower's financial difficulty is measured on a collective basis, as with other loans in the loan portfolio, unless management determines that such loans no longer possess risk characteristics similar to others in the loan portfolio. In those instances, the ACL for such loans is determined through individual evaluation.

The following tables present the amortized cost basis and the financial effect of loans modified to borrowers experiencing financial difficulty during the three and six months ended June 30, 2026 and 2025.

Three Months Ended June 30, 2026			
	Payment Delay	Payment Delay Period	Percentage of Total Loan Type
	(in thousands)		
Commercial - other	\$ 959	6 months	0.41%
Total	\$ 959		

Three Months Ended June 30, 2025			
	Term Extension	Percentage of Total Loan Type	Weighted Average Term Extension
	(in thousands)		
Commercial - other	\$ 522	0.62%	9 months
Total	\$ 522		

Six Months Ended June 30, 2026				
	Term Extension	Weighted Average Term Extension	Payment Delay	Percentage of Total Loan Type
	(in thousands)			
Real estate:				
Construction	\$ 2,635	6 months		2.90%
Commercial - other	\$ 959		6 months	0.41%
Total	\$ 2,635		\$ 959	

Six Months Ended June 30, 2025				
	Term Extension	Percentage of Total Loan Type	Weighted Average Term Extension	
	(in thousands)			
Real estate:				
Commercial real estate	\$ 1,566	0.99%	7 months	
Construction	2,019	2.50%	7 months	
Commercial - other	468	0.48%	9 months	
Total	\$ 4,053			

None of the modified loans have defaulted during the three or six months ended June 30, 2026 or June 30, 2025. As of June 30, 2026, the Company has not committed to lend any additional funds to any borrower whose loan was modified.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. For single-family residential, consumer, and other smaller balance homogeneous loans, a credit grade is established at inception, and generally only adjusted based on performance. Information about payment status is disclosed elsewhere herein. The Company analyzes all other loans individually by classifying the loans as to credit risk. The Company uses the following definitions for risk ratings:

- **Watch.** Loans classified as watch exhibit weaknesses that could threaten the current net worth and paying capacity of the obligors. Watch graded loans are generally performing and are not more than 59 days past due. A watch rating is used when a material deficiency exists, but correction is anticipated within an acceptable time frame.
- **Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention that appears short term in nature. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
- **Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution may sustain some loss if the deficiencies are not corrected.
- **Doubtful.** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable.
- **Loss.** Loans classified as loss are considered uncollectible and of such little value that to continue to carry the loan as an active asset is no longer warranted.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans. Pass rated loans are generally well protected by the current net worth and paying capacity of the obligor and/or by the value of the underlying collateral. Pass rated loans are not more than 59 days past due and are generally performing in accordance with the loan terms.

The following table stratifies the loans held for investment portfolio by the Company's internal risk grading, and by year of origination as of the date indicated:

Term Loans Amortized Cost Basis by Origination Year - As of June 30, 2026								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Total
(In thousands)								
Single-family:								
Pass	\$ -	\$ -	\$ -	\$ 527	\$ 2,749	\$ 13,461	\$ -	\$ 16,737
Watch	-	-	-	-	-	311	-	311
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	1,159	558	-	1,717
Total	\$ -	\$ -	\$ -	\$ 527	\$ 3,908	\$ 14,330	\$ -	\$ 18,765
Multi-family:								
Pass	\$ -	\$ 2,507	\$ 62,284	\$ 59,795	\$ 165,973	\$ 196,048	\$ -	\$ 486,607
Watch	1,990	-	13,083	16,424	10,906	18,607	-	61,010
Special Mention	-	-	-	1,137	2,561	7,896	-	11,594
Substandard	-	-	-	-	3,994	7,047	-	11,041
Doubtful	-	-	-	-	2,079	-	-	2,079
Total	\$ 1,990	\$ 2,507	\$ 75,367	\$ 77,356	\$ 185,513	\$ 229,598	\$ -	\$ 572,331
Commercial real estate:								
Pass	\$ 18,764	\$ 23,901	\$ 44,427	\$ 13,640	\$ 21,136	\$ 43,121	\$ -	\$ 164,989
Watch	-	-	4,131	-	-	1,193	-	5,324
Special Mention	-	-	-	2,357	-	-	-	2,357
Substandard	-	-	-	844	-	7,233	-	8,077
Total	\$ 18,764	\$ 23,901	\$ 48,558	\$ 16,841	\$ 21,136	\$ 51,547	\$ -	\$ 180,747
Church:								
Pass	\$ -	\$ -	\$ -	\$ 1,048	\$ -	\$ 5,661	\$ -	\$ 6,709
Watch	-	-	-	1,569	-	578	-	2,147
Substandard	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ 2,617	\$ -	\$ 6,239	\$ -	\$ 8,856
Construction:								
Watch	\$ 19,797	\$ 4,118	\$ 10,946	\$ -	\$ -	\$ -	\$ -	\$ 34,861
Special Mention	1,608	-	-	-	-	-	-	1,608
Substandard	-	-	-	25,852	23,710	4,497	-	54,059
Total	\$ 21,405	\$ 4,118	\$ 10,946	\$ 25,852	\$ 23,710	\$ 4,497	\$ -	\$ 90,528
Commercial – other:								
Pass	\$ 57,498	\$ 72,997	\$ 29,724	\$ 48,531	\$ 8,462	\$ 7,291	\$ -	\$ 224,503
Watch	-	9,995	8,853	-	-	-	-	18,848
Special Mention	-	-	-	-	-	3,470	-	3,470
Substandard	-	-	-	-	959	367	-	1,326
Doubtful	-	-	-	-	-	46	-	46
Total	\$ 57,498	\$ 82,992	\$ 38,577	\$ 48,531	\$ 9,421	\$ 11,174	\$ -	\$ 248,193
YTD gross charge-offs	-	-	-	-	-	(215)	-	(215)
SBA:								
Pass	\$ -	\$ 3,668	\$ 12,131	\$ 1,380	\$ -	\$ 50	\$ -	\$ 17,229
Watch	-	-	560	-	-	-	-	560
Substandard	-	-	-	-	65	-	-	65
Doubtful	-	-	-	-	\$ -	-	-	-
Total	\$ -	\$ 3,668	\$ 12,691	\$ 1,380	\$ 65	\$ 50	\$ -	\$ 17,854
YTD gross charge-offs	-	-	-	-	(75)	(37)	-	(112)
Consumer:								
Pass	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65
Total	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65
Total loans:								
Pass	\$ 76,327	\$ 103,073	\$ 148,566	\$ 124,921	\$ 198,320	\$ 265,632	\$ -	\$ 916,839
Watch	21,787	14,113	37,573	17,993	10,906	20,689	-	123,061
Special Mention	1,608	-	-	3,494	2,561	11,366	-	19,029

Substandard	-	-	-	26,696	29,887	19,702	-	76,285
Doubtful	-	-	-	-	2,079	46	-	2,125
Total loans	<u>\$ 99,722</u>	<u>\$ 117,186</u>	<u>\$ 186,139</u>	<u>\$ 173,104</u>	<u>\$ 243,753</u>	<u>\$ 317,435</u>	<u>\$ -</u>	<u>\$ 1,137,339</u>
Total YTD gross charge-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (75)</u>	<u>\$ (252)</u>	<u>\$ -</u>	<u>\$ (327)</u>

Term Loans Amortized Cost Basis by Origination Year - As of December 31, 2025

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
	(In thousands)							
Single-family:								
Pass	\$ -	\$ -	\$ 533	\$ 2,785	\$ 2,464	\$ 12,806	\$ -	\$ 18,588
Watch	-	-	-	-	-	867	-	867
Substandard	-	-	-	1,172	-	-	-	1,172
Total	\$ -	\$ -	\$ 533	\$ 3,957	\$ 2,464	\$ 13,673	\$ -	\$ 20,627
Multi-family:								
Pass	\$ 2,519	\$ 63,728	\$ 64,468	\$ 164,533	\$ 122,938	\$ 82,514	\$ -	\$ 500,700
Watch	-	13,169	16,343	14,299	9,979	23,162	-	76,952
Special Mention	-	-	-	-	1,774	1,235	-	3,009
Substandard	-	-	1,343	6,572	4,332	804	-	13,051
Doubtful	-	-	-	2,079	-	-	-	2,079
Total	\$ 2,519	\$ 76,897	\$ 82,154	\$ 187,483	\$ 139,023	\$ 107,715	\$ -	\$ 595,791
YTD gross charge-offs	\$ -	\$ -	\$ -	\$ (1,143)	\$ -	\$ -	\$ -	\$ (1,143)
Commercial real estate:								
Pass	\$ 20,019	\$ 48,758	\$ 13,741	\$ 21,476	\$ 24,284	\$ 20,415	\$ -	\$ 148,693
Watch	-	-	2,363	-	-	-	-	2,363
Special Mention	-	-	854	-	-	3,475	-	4,329
Substandard	-	-	-	-	6,288	772	-	7,060
Total	\$ 20,019	\$ 48,758	\$ 16,958	\$ 21,476	\$ 30,572	\$ 24,662	\$ -	\$ 162,445
Church:								
Pass	\$ -	\$ -	\$ 2,330	\$ -	\$ 2,091	\$ 3,652	\$ -	\$ 8,073
Watch	-	-	357	-	-	594	-	951
Substandard	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ 2,687	\$ -	\$ 2,091	\$ 4,246	\$ -	\$ 9,024
Construction:								
Watch	\$ 6,700	\$ 9,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,932
Special Mention	-	-	12,983	5,533	-	-	-	18,516
Substandard	-	-	12,634	21,073	2,519	1,998	-	38,224
Total	\$ 6,700	\$ 9,232	\$ 25,617	\$ 26,606	\$ 2,519	\$ 1,998	\$ -	\$ 72,672
Commercial – other:								
Pass	\$ 43,037	\$ 21,347	\$ 18,837	\$ 8,834	\$ -	\$ 7,341	\$ -	\$ 99,396
Watch	9,984	17,469	14,993	1,000	-	1,171	-	44,617
Special Mention	-	-	-	-	-	2,617	-	2,617
Substandard	-	-	-	-	103	261	-	364
Total	\$ 53,021	\$ 38,816	\$ 33,830	\$ 9,834	\$ 103	\$ 11,390	\$ -	\$ 146,994
SBA:								
Pass	\$ 3,789	\$ 12,415	\$ 1,452	\$ -	\$ -	\$ 19	\$ -	\$ 17,675
Substandard	-	571	-	148	-	-	-	719
Doubtful	-	-	-	-	-	74	-	74
Total	\$ 3,789	\$ 12,986	\$ 1,452	\$ 148	\$ -	\$ 93	\$ -	\$ 18,468
YTD gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (36)	\$ -	\$ (36)
Consumer:								
Pass	\$ 38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38
Total	\$ 38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38
Total loans:								
Pass	\$ 69,402	\$ 146,248	\$ 101,361	\$ 197,628	\$ 151,777	\$ 126,747	\$ -	\$ 793,163
Watch	16,684	39,870	34,056	15,299	9,979	25,794	-	141,682
Special Mention	-	-	13,837	5,533	1,774	7,327	-	28,471
Substandard	-	571	13,977	28,965	13,242	3,835	-	60,590
Doubtful	-	-	-	2,079	-	74	-	2,153
Total loans	\$ 86,086	\$ 186,689	\$ 163,231	\$ 249,504	\$ 176,772	\$ 163,777	\$ -	\$ 1,026,059
Total YTD gross charge-offs	\$ -	\$ -	\$ -	\$ (1,143)	\$ -	\$ (36)	\$ -	\$ (1,179)

Allowance for Credit Losses for Off-Balance Sheet Commitments

The Company maintains an allowance for credit losses on off-balance sheet commitments related to unfunded loans and lines of credit, which is included in accrued expenses and other liabilities of the consolidated statements of financial condition. The Company applies an expected credit loss estimation methodology for off-balance sheet commitments. This methodology is commensurate with the methodology applied to each respective segment of the loan portfolio in determining the ACL for loans held-for-investment. The loss estimation process includes assumptions for the probability that a loan will fund, as well as the expected amount of funding. These assumptions are based on the Company's own historical internal loan data.

The allowance for off-balance sheet commitments was \$203 thousand and \$224 thousand at June 30, 2026 and December 31, 2025, respectively, and was classified within accrued expenses and other liabilities on the consolidated statements of financial condition.

NOTE 5 – Goodwill and Core Deposit Intangible

The following tables present the changes in the carrying amounts of goodwill and core deposit intangibles for the six months ended June 30, 2026 and 2025:

	June 30, 2026
	Core Deposit Intangible (In thousands)
Balance at the beginning of the period	\$ 1,460
Amortization	(152)
Balance at the end of the period	<u>\$ 1,308</u>

	June 30, 2025	
	Goodwill	Core Deposit Intangible
	(In thousands)	(In thousands)
Balance at the beginning of the period	\$ 25,858	\$ 1,775
Amortization	-	(158)
Balance at the end of the period	<u>\$ 25,858</u>	<u>\$ 1,617</u>

On October 15, 2025, the Company's management, with oversight of the Audit Committee of the Board of Directors of the Company, concluded that, based on its annual impairment analysis, the Company's goodwill was impaired in accordance with U.S. GAAP. Consequently, the Company recorded a non-cash \$25.9 million goodwill impairment charge for the quarter ended September 30, 2025. The Company does not expect that this charge will result in future cash expenditures.

The carrying amount of the core deposit intangible consisted of the following (in thousands):

	June 30, 2026	December 31, 2025
	(In thousands)	(In thousands)
Core deposit intangible acquired	\$ 3,329	\$ 3,329
Less: Accumulated amortization	(2,021)	(1,869)
	<u>\$ 1,308</u>	<u>\$ 1,460</u>

The following table outlines the estimated amortization expense for the core deposit intangible during the next five fiscal years (in thousands):

	(In thousands)
Remainder of 2026	\$ 152
2027	291
2028	279
2029	267
2030	256
Thereafter	63
	<u>\$ 1,308</u>

Note 6 – Derivatives

The Company utilizes interest rate swap agreements with commercial banking customers to facilitate their interest rate management strategies. The Company entered into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

The Company presents derivatives on a gross basis on the consolidated statements of financial condition. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements. The following tables present the amounts recorded on the consolidated statements of financial condition related to the Company's interest rate swaps.

As of June 30, 2026			
	Notional Amount	Fair Value	Consolidated Statements of Financial Condition Category
		(In thousands)	
Derivatives in an asset position:			
Derivatives not designated as hedging instruments:			
Interest rate swaps related to loan customers	\$ 17,000	\$ 203	Other Assets
Total derivatives in an asset position	<u>\$ 17,000</u>	<u>\$ 203</u>	
Derivatives in a liability position:			
Derivatives not designated as hedging instruments:			
Interest rate swaps related to loan customers	\$ 17,000	\$ 203	Accrued Expenses and Other Liabilities
Total derivatives in a liability position	<u>\$ 17,000</u>	<u>\$ 203</u>	
As of December 31, 2025			
	Notional Amount	Fair Value	Consolidated Statements of Financial Condition Category
		(In thousands)	
Derivatives in an asset position:			
Derivatives not designated as hedging instruments:			
Interest rate swaps related to loan customers	\$ 17,000	\$ 105	Other Assets
Total derivatives in an asset position	<u>\$ 17,000</u>	<u>\$ 105</u>	
Derivatives in a liability position:			
Derivatives not designated as hedging instruments:			
Interest rate swaps related to loan customers	\$ 17,000	\$ 105	Accrued Expenses and Other Liabilities
Total derivatives in a liability position	<u>\$ 17,000</u>	<u>\$ 105</u>	

NOTE 7 – Borrowings

The Bank enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Bank may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Bank to repurchase the assets. As a result, these repurchase agreements are accounted for as collateralized financing agreements (i.e., secured borrowings) and not as a sale and subsequent repurchase of securities. The obligation to repurchase the securities is reflected as a liability in the Company's consolidated statements of financial condition, while the securities underlying the repurchase agreements remain in the respective investment securities asset accounts. In other words, there is no offsetting or netting of the investment securities assets with the repurchase agreement liabilities. These agreements mature on a daily basis. As of June 30, 2026 securities sold under agreements to repurchase totaled \$81.9 million at an average rate of 3.69%. The fair value of securities pledged totaled \$85.7 million as of June 30, 2026. As of December 31, 2025, securities sold under agreements to repurchase totaled \$80.8 million at an average rate of 3.66%. The fair value of securities pledged totaled \$83.7 million as of December 31, 2025.

At June 30, 2026, the Company had outstanding advances from the FHLB totaling \$94.0 million. At December 31, 2025, the Company had outstanding advances from the FHLB totaling \$72.0 million. The weighted average interest rate was 3.83% and 3.79% as of June 30, 2026 and December 31, 2025, respectively. The weighted average contractual maturity was less than one month as of both June 30, 2026 and December 31, 2025. Loans with unpaid balances of \$437.8 million and \$448.6 million at June 30, 2026 and December 31, 2025, respectively, were pledged to secure FHLB advances. The Company is currently approved by the FHLB of Atlanta to borrow up to 25% of total assets to the extent the Company provides qualifying collateral and holds sufficient FHLB stock. Based on collateral pledged and FHLB stock held, the Company was eligible to borrow an additional \$148.4 million as of June 30, 2026.

In addition, the Company had additional lines of credit of \$10.0 million with other financial institutions as of June 30, 2026 and December 31, 2025. These lines of credit are unsecured, bear interest at the Federal funds rate as of the date of utilization and mature in 30 days. There were no amounts outstanding under these lines of credit as of June 30, 2026 or December 31, 2025.

NOTE 8 – Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

The fair values of securities available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
At June 30, 2026				
Securities available-for-sale:				
Federal agency mortgage-backed securities	\$ -	\$ 153,732	\$ -	\$ 153,732
Federal agency CMOs	-	98,972	-	98,972
Federal agency debt	-	23,684	-	23,684
Municipal bonds	-	4,519	-	4,519
SBA pools	-	7,605	-	7,605
Asset-backed securities	-	8,578	-	8,578
Corporate bonds	-	29,940	-	29,940
Interest rate swap asset	-	203	-	203
Interest rate swap liability	-	(203)	-	(203)
At December 31, 2025				
Securities available-for-sale:				
Federal agency mortgage-backed securities	\$ -	\$ 114,430	\$ -	\$ 114,430
Federal agency CMOs	-	69,457	-	69,457
Federal agency debt	-	28,413	-	28,413
Municipal bonds	-	4,522	-	4,522
U.S. Treasuries	4,987	-	-	4,987
SBA pools	-	8,275	-	8,275
Asset-backed securities	-	9,269	-	9,269
Corporate bonds	-	17,482	-	17,482
Interest rate swap asset	-	105	-	105

Interest rate swap liability	-	(105)	-	(105)
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There were no transfers between Level 1, Level 2, or Level 3 during the three or six months ended June 30, 2026 or 2025.

Assets Measured on a Nonrecurring Basis

The Company measures certain assets at fair value on a nonrecurring basis and the following is a general description of the methods used to value such assets.

Collateral-Dependent Loans - The fair value of collateral-dependent loans with specific allocations of the allowance for credit losses is generally based on recent appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying loans and result in a Level 3 classification.

The table below presents assets measured at fair value on a nonrecurring basis.

Fair Value Measurement			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In thousands)			

At June 30, 2026:

Collateral dependent loans:

Real Estate:

Single-family	\$	-	\$	-	\$	424	424
Multi-family		-		-		1,759	1,759
Construction		-		-		7,435	7,435
Commercial - other		-		-		46	46

The following table represents quantitative information about Level 3 fair value assumptions for assets measured at fair value on a non-recurring basis at June 30, 2026.

Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range
(In thousands)			

At June 30, 2026:

Collateral dependent loans:

Real Estate:

Single-family	\$	424	Market approach	Adjustments to market data	5% - 10%
Multi-family		1,759	Market approach	Adjustments to market data	5% - 10%
Construction		7,435	Market approach	Adjustments to market data	5% - 10%
Commercial - other		46	Market approach	Adjustments to market data	5% - 10%

The table below presents assets measured at fair value on a nonrecurring basis.

	Fair Value Measurement			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
At December 31, 2025:				
Collateral dependent loans:				
Real Estate:				
Single-family	\$ -	\$ -	424	\$ 424
Multi-family	-	-	2,094	2,094
Construction	-	-	7,435	7,435
Commercial - other	-	-	138	138

The following table represents quantitative information about Level 3 fair value assumptions for assets measured at fair value on a non-recurring basis at December 31, 2025.

	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input(s)</u>	<u>Range</u>
	(In thousands)			
At December 31, 2025:				
Collateral dependent loans:				
Real Estate:				
Single-family	\$ 424	Market approach	Adjustments to market data	5% - 10%
Multi-family	2,094	Market approach	Adjustments to market data	5% - 10%
Construction	7,435	Market approach	Adjustments to market data	5% - 10%
Commercial - other	138	Market approach	Adjustments to market data	5% - 10%

Fair Values of Financial Instruments

The following tables present the carrying amount, fair value, and level within the fair value hierarchy of the Company's financial instruments as of June 30, 2026 and December 31, 2025.

		Fair Value Measurements at June 30, 2026			
	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
		(In thousands)			
<i>Financial Assets:</i>					
Cash and cash equivalents	\$ 48,905	\$ 48,905	\$ -	\$ -	\$ 48,905
Securities available-for-sale	327,030	-	327,030	-	327,030
Loans receivable held for investment	1,126,539	-	-	1,085,985	1,085,985
Accrued interest receivable	6,746	12	1,178	5,556	6,746
Interest rate swaps	203	-	203	-	203

Financial Liabilities:					
Non-interest-bearing deposits	\$ 100,883	\$ -	\$ 100,883	\$ -	\$ 100,883
Interest-bearing demand deposits	654,648	-	654,648	-	654,648
Time deposits	359,120	-	358,556	-	358,556
Borrowings	94,000	-	93,985	-	93,985
Securities sold under agreements to repurchase	81,928	-	81,928	-	81,928
Accrued interest payable	1,669	-	1,669	-	1,669
Interest rate swaps	203	-	203	-	203

		Fair Value Measurements at December 31, 2025			
	Carrying Value	Level 1	Level 2	Level 3	Total
		(In thousands)			
Financial Assets:					
Cash and cash equivalents	\$ 10,507	\$ 10,507	\$ -	\$ -	\$ 10,507
Securities available-for-sale	256,835	4,987	251,848	-	256,835
Loans receivable held for investment	1,016,540	-	-	1,002,049	1,002,049
Accrued interest receivable	5,999	36	800	5,163	5,999
Interest rate swaps	105	-	105	-	105

Financial Liabilities:					
Non-interest-bearing demand deposits	\$ 105,835	\$ -	\$ 105,835	\$ -	\$ 105,835
Interest-bearing demand deposits	512,034	-	512,034	-	512,034
Time deposits	299,734	-	299,434	-	299,434
FHLB borrowings	72,000	-	72,019	-	72,019
Securities sold under agreements to repurchase	80,773	-	80,773	-	80,773
Accrued interest payable	1,633	-	1,633	-	1,633

Interest rate swaps	105	-	105	-	105
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In accordance with ASC 820, the fair value of financial assets and liabilities was measured using an exit price notion. Although the exit price notion represents the value that would be received to sell an asset or paid to transfer a liability, the actual price received for a sale of assets or paid to transfer liabilities could be different from exit price disclosed.

NOTE 9 – Stock-based Compensation

Prior to June 21, 2023, the Company issued stock-based compensation awards to its directors and officers under the 2018 Long Term Incentive Plan (“LTIP”) which allowed the grant of non-qualified and incentive stock options, stock appreciation rights, full value awards and cash incentive awards. The maximum number of shares available to be awarded under the LTIP was 161,639 shares.

On June 21, 2023, stockholders approved an Amendment and Restatement of the 2018 Long Term Incentive Plan (“Amended and Restated LTIP”) which allows the issuance of 487,500 additional shares and brought the number of shares that may be issued under the Amended and Restated LTIP to 649,139 shares.

Stock-based compensation is recognized on a straight-line basis over the vesting period. During the three months ended June 30, 2026 and 2025, the Company recorded \$21 thousand of stock-based compensation income and \$111 thousand of stock-based compensation expense, respectively. During the six months ended June 30, 2026 and 2025, the Company recorded \$113 thousand and \$210 thousand of stock-based compensation expense, respectively. The Company did not record any director stock expense during the three months ended June 30, 2026 or June 30, 2025. During both the six months ended June 30, 2026 and 2025, the Company recorded \$168 thousand of director stock compensation expense, which was determined using the fair value of the stock on the dates of the awards.

As of June 30, 2026, 460,307 shares had been awarded under the Amended and Restated LTIP and 188,832 shares were available to be awarded. The following tables present unvested stock award activity during the three and six months ended June 30, 2026 and 2025:

	Three months ended	
	June 30, 2026	June 30, 2025
Outstanding at beginning of period	212,970	232,864
Granted during period	-	8,183
Forfeited during period	(4,781)	(22,477)
Vested during period	(862)	(22,122)
Outstanding at end of period	<u>207,327</u>	<u>196,448</u>

	Six months ended	
	June 30, 2026	June 30, 2025
Outstanding at beginning of period	149,705	184,874
Granted during period	123,634	119,710
Forfeited during period	(9,964)	(23,187)
Vested during period	(56,048)	(84,949)
Outstanding at end of period	<u>207,327</u>	<u>196,448</u>

No stock options were granted, exercised or expired during the three months ended June 30, 2026 or 2025, or during the six months ended June 30, 2025. During the six months ended June 30, 2026, 12,500 stock options were forfeited.

No stock options were outstanding or exercisable at June 30, 2026. The Company did not record any stock-based compensation expense related to stock options during the three or six months ended June 30, 2026 or 2025.

NOTE 10 – ESOP Plan

Employees participate in an ESOP after attaining certain age and service requirements. During 2022, the ESOP purchased 58,369 shares of the Company’s common stock at an average cost of \$8.57 per share for a total cost of \$500 thousand which was funded with a \$5.0 million line of credit from the Company. During 2023, the ESOP purchased 369,953 additional shares of the Company’s common stock at an average cost of \$9.19 per share for a total cost of \$3.4 million, which was funded with the line of credit. Any loans or borrowings under the line of credit will be repaid from the Bank’s discretionary contributions to the ESOP, net of dividends paid, over a period of 20 years. Shares of the Company’s common stock purchased by the ESOP are held in a suspense account until released for allocation to participants. When loan payments are made, shares are allocated to each eligible participant based on the ratio of each such participant’s compensation, as defined in the ESOP, to the total compensation of all eligible plan participants. As the unearned shares are released from the suspense account, the Company recognizes compensation expense equal to the fair value of the ESOP shares during the periods in which they become committed to be released. To the extent that the fair value of the ESOP shares released differs from the cost of such shares, the difference is charged or credited to equity as additional paid-in capital. Dividends on allocated shares increase participant accounts. Dividends on unallocated shares will be used to repay the loan. At the end of employment, participants will receive shares for their vested balance. Compensation expense related to the ESOP was \$59 thousand and \$49 thousand for the three months ended June 30, 2026 and 2025, respectively, and \$146 thousand and \$99 thousand for the six months ended June 30, 2026 and 2025, respectively.

Shares held by the ESOP were as follows:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
	<u>(Dollars in thousands)</u>	
Allocated to participants	110,836	124,968
Committed to be released	68,548	55,568
Suspense shares	406,108	406,108
Total ESOP shares	585,492	586,644
Fair value of unearned shares	<u>\$ 3,923</u>	<u>\$ 3,005</u>

The value of unearned shares, which are reported as Unearned ESOP shares in the equity section of the consolidated statements of financial condition, was \$3.7 million and \$3.9 million at June 30, 2026 and December 31, 2025, respectively.

NOTE 11 – Regulatory Matters

The Bank’s capital requirements are administered by the Office of the Comptroller of the Currency (“OCC”) and involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the OCC. Failure to meet capital requirements can result in regulatory action.

As a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies have developed a “Community Bank Leverage Ratio” (the ratio of a bank’s tier 1 capital to average total consolidated assets) for financial institutions with assets of less than \$10 billion. A “qualifying community bank” that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered “well capitalized” under Prompt Corrective Action statutes. The federal banking agencies have set the Community Bank Leverage Ratio (“CBLR”) at 9.0% to be considered well capitalized. Effective July 1, 2026, pursuant to a final rule issued by the federal banking agencies, the minimum CBLR requirement was reduced from greater than 9.0% to greater than 8.0%.

The Bank’s CBLR was 13.20% which exceeded this requirement at June 30, 2026. Actual and required capital amounts and ratios as of the dates indicated are presented below:

	<u>Actual</u>		<u>Minimum Required to Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
	<u>(Dollars in thousands)</u>			
June 30, 2026				
Community Bank Leverage Ratio	\$ 194,521	13.20%	\$ 132,677	9.00%
December 31, 2025				
Community Bank Leverage Ratio	\$ 191,336	14.09%	\$ 122,184	9.00%

At June 30, 2026, the Company and the Bank met all the capital adequacy requirements to which they were subject. In addition, the Bank was “well capitalized” under the regulatory framework for prompt corrective action. Management believes that no conditions or events have occurred since June 30, 2026 that would materially adversely change the Bank’s capital classifications. From time to time, the Bank may need to raise additional capital to support its further growth and to maintain its “well capitalized” status.

NOTE 12 – Income Taxes

The Company and its subsidiary are subject to U.S. federal and state income taxes. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluated both positive and negative evidence, including any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, the forecasts of future income and tax planning strategies.

At June 30, 2026, the Company maintained a \$449 thousand valuation allowance on its deferred tax assets because the number of shares sold in the private placements completed on April 6, 2021 triggered limitations on the use of certain tax attributes under the Section 382 of the federal tax code. The ability to use net operating losses (“NOLs”) to offset future taxable income will be restricted and these NOLs could expire or otherwise be unavailable. In general, under Section 382 of the Code and corresponding provisions of state law, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. For these purposes, an ownership change generally occurs where the aggregate stock ownership of one or more stockholders or groups of stockholders who owns at least 5% of a corporation’s stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a specified testing period.

The Company recorded income tax expense of \$330 thousand for the second quarter of 2026, compared to \$296 thousand for the second quarter of 2025. The increase in income tax expense reflected an increase in pre-tax income of \$441 thousand between the two periods. The effective tax rate was 22.25% for the second quarter of 2026, compared to 28.41% for the second quarter of 2025.

The Company recorded income tax expense of \$612 thousand for the first six months of 2026, compared to income tax benefit of \$790 thousand for the first six months of 2025. The increase in income tax expense reflected an increase in pre-tax income of \$5.6 million between the two periods. The effective tax rate was 21.03% for the first six months of 2026, compared to 28.87% for the first six months of 2025.

NOTE 13 – Concentrations

The Bank has a significant concentration of deposits with five customers that accounted for approximately 41% and 28% of its deposits as of June 30, 2026 and December 31, 2025, respectively. The Bank also has a significant concentration of short-term borrowings from one customer that accounted for 93% and 91% of the outstanding balance of securities sold under agreements to repurchase as of June 30, 2026 and December 31, 2025, respectively.

The Company’s lending activities are predominantly in real estate loans that are secured by properties located in Southern California and in Washington, D.C. and surrounding areas, and many of the borrowers reside in those areas. Therefore, the Company’s exposure to credit risk is significantly affected by changes in the economy and real estate market in the markets in which the Company operates.

Multi-family loans represented 50.97% of our gross loan portfolio at June 30, 2026 compared to 58.41% of our gross loan portfolio at December 31, 2025. We seek to mitigate the risks associated with multi-family loans by applying appropriate underwriting requirements, which include limitations on loan-to-value ratios and debt service coverage ratios. Under our underwriting policies, loan-to-value ratios on our multi-family loans usually do not exceed 75% of the lower of the purchase price or the appraised value of the underlying property. We also generally require minimum debt service coverage ratios of 120% for multi-family loans. Properties securing multi-family loans are appraised by management-approved independent appraisers. Title insurance is required on all loans.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes included in Part I, Item 1 “Financial Statements,” of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2025 (the “2025 Form 10-K”). Certain statements herein are forward-looking statements within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 27A of the U.S. Securities Act of 1933, as amended that reflect our current views with respect to future events and financial performance. Forward-looking statements typically include words such as “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believes,” “potential,” “continue,” “prospects,” “ability,” “looking,” “forward,” “invest,” “grow,” “improve,” “likely” and other similar expressions. These forward-looking statements are subject to risks and uncertainties, which could cause actual future results to differ materially from historical results or from those anticipated or implied by such statements. Readers should not place undue reliance on these forward-looking statements, which speak only as of their dates or, if no date is provided, then as of the date of this Form 10-Q. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

General

Broadway Financial Corporation (the “Company”) is a Delaware public benefit corporation and the holding company for City First Bank, National Association (the “Bank”). The Company is dedicated to promoting equitable economic development and increasing access to capital in historically underserved communities through its lending, investment, and banking activities. As a public benefit corporation, the Company seeks to align its mission-driven objectives with the achievement of sustainable financial performance.

In April 2021, the Company completed its merger with CFBanc Corporation, forming a combined institution with a shared commitment to serving low-to-moderate-income and historically underserved communities. Following the merger, Broadway Federal merged with and into City First Bank of D.C., National Association, and the surviving institution was subsequently renamed City First Bank, National Association.

The Company’s financial performance is driven primarily by net interest income generated from its loan and investment portfolios, the quality and performance of its earning assets, funding and liquidity management activities, and noninterest income and expense trends.

The Company is regulated by the Board of Governors of the Federal Reserve System, while the Bank is regulated by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Deposits at the Bank are insured by the FDIC up to applicable limits.

Critical Accounting Policies and Estimates

Critical accounting policies are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations under different assumptions and conditions. This discussion highlights those accounting policies that management considers critical. All accounting policies are important; therefore, you are encouraged to review each of the policies included in Note 1 “Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements in our 2025 Form 10-K to gain a better understanding of how our financial performance is measured and reported. Management has identified the Company’s critical accounting policies as follows:

Allowance for Credit Losses (“ACL”) for Loans

The Company accounts for credit losses on loans in accordance with ASC 326, which requires the Company to record an estimate of expected lifetime credit losses for loans at the time of origination or acquisition. The ACL is maintained at a level deemed appropriate by management to provide for expected credit losses in the portfolio as of the date of the consolidated statements of financial condition. Estimating expected credit losses requires management to use relevant forward-looking information, including the use of reasonable and supportable forecasts. The measurement of the ACL is performed by collectively evaluating loans with similar risk characteristics.

During the quarter ended March 31, 2026, the Company transitioned from using the weighted average remaining maturity (“WARM”) method for measuring the ACL to a discounted cash flow (“DCF”) method. Concurrently, the Company also changed the way that qualitative factors are applied in the estimation of the ACL. These changes are intended to improve the precision of the expected credit loss calculations. These changes are considered a change in accounting estimate, rather than a change in accounting principle, as they result from an improved estimation methodology rather than a fundamental change in the underlying accounting framework. The changes in estimation techniques and certain related inputs and assumptions used to estimate expected credit losses on the Company’s loan portfolio and unfunded commitments did not materially impact the Company’s results of operations or financial condition.

The Company’s DCF methodology incorporates a probability of default (“PD”) and loss given default (“LGD”) model, whereby PDs and LGDs are forecasted using economic scenarios over a reasonable and supportable period to generate estimates for cash flows expected to be collected over the estimated life of a loan. Estimates of future expected cash flows ultimately reflect assumptions made concerning net credit losses over the life of a loan. The model also incorporates management’s assumptions regarding prepayments and curtailments. The use of reasonable and supportable forecasts, including the determination of the appropriate length of the forecast horizon, requires significant judgment. Management leverages peer data as well as economic projections from an independent third party to inform and provide its reasonable and supportable economic forecasts. Other internal and external indicators of economic forecasts may also be considered by management when developing the forecast metrics.

The Company’s ACL model forecasts PD and LGD over a one-year time horizon, which the Company believes is a reasonable and supportable period. Beyond the one-year forecast time horizon, the Company’s ACL model reverts to historical long-term average loss rates over the remaining contractual periods. The duration of the forecast horizon, the period over which forecasts revert to long-term averages, the economic forecasts that management utilizes, as well as additional internal and external indicators of economic forecasts that management considers, may change over time depending on the nature and composition of the Company’s loan portfolio. Changes in economic forecasts, in conjunction with changes in loan specific attributes, impact a loan’s PD and LGD, which can drive changes in the determination of the ACL.

Expectations of future cash flows are discounted at the loan’s effective interest rate. The resulting ACL for a loan represents the amount by which the loan’s amortized cost exceeds the net present value of a loan’s discounted cash flows. The ACL is recorded through a charge to provision for credit losses and is reduced by charge-offs, net of recoveries on loans previously charged-off. It is the Company’s policy to charge-off loan balances at the time they have been deemed uncollectible.

Prior to March 31, 2026, the Company measured the ACL for each of its loan segments using the WARM method. The weighted average remaining life, including the effect of estimated prepayments, was calculated for each loan pool on a quarterly basis. The Company then estimated a loss rate for each pool using both its own historical loss experience and the historical losses of a group of peer institutions during the period from 2004 through the most recent quarter.

In conjunction with the conversion to DCF methodology, the bank has adopted a new scorecard-based methodology for estimating the qualitative reserve factors. The purpose of the qualitative scorecard is to provide a framework to reliably and consistently determine reasonable and supportable qualitative estimates of the expected credit losses in the current loan portfolio compared to losses expected from the quantitative analysis. The appropriate qualitative reserve is derived by loan segment from incremental risk statuses for each qualitative factor. The risk statuses in the scorecard range from “very low risk” to “critical risk.” A qualitative reserve allocation is made to each portfolio based on the risk assessment. All inputs and assumptions in the qualitative scorecard were individually assessed to determine the proper risk status, and all decisions were made independently of the previous WARM qualitative analysis.

The Company’s ACL model also includes adjustments for qualitative factors, where appropriate. Qualitative adjustments may be related to and include, but are not limited to, factors such as: (i) changes in lending policies and procedures, including changes in underwriting standards and collections, charge-offs, and recapture practices; (ii) changes in international, national, regional, and local conditions; (iii) changes in the nature and volume of the portfolio and terms of loans; (iv) changes in the experience, depth, and ability of lending management; (v) changes in the volume and severity of past due loans and other similar conditions; (vi) changes in the quality of the organization’s loan review system; (vii) changes in the value of underlying collateral for collateral dependent loans; (viii) the existence and effect of any concentrations of credit and changes in the levels of such concentrations; and (ix) the effect of other external factors (i.e., competition, legal and regulatory requirements) on the level of estimated credit losses. These qualitative factors incorporate the concept of reasonable and supportable forecasts, as required by ASC 326.

The Company evaluates loans collectively for purposes of determining the ACL in accordance with ASC 326. Collective evaluation is based on aggregating loans deemed to possess similar risk characteristics. In certain instances, the Company may identify loans that it believes no longer possess risk characteristics similar to other loans in the loan portfolio. These loans are typically identified from those that have exhibited deterioration in credit quality, since the specific attributes and risks associated with such loans tend to become unique as the credit deteriorates. Such loans are typically nonperforming, downgraded to substandard or worse, and/or are deemed collateral dependent, where the ultimate repayment of the loan is expected to come from the sale of the collateral. Loans that are deemed by management to no longer possess risk characteristics similar to other loans in the portfolio, or that have been identified as collateral dependent, are evaluated individually for purposes of determining an appropriate lifetime ACL. The Company uses the discounted cash flow approach, using the loan’s effective interest rate, for determining the ACL on individually evaluated loans, unless the loan is deemed collateral dependent, which requires evaluation based on the estimated fair value of the underlying collateral, less estimated selling costs. The Company may add a specific reserve for collateral dependent loans based on changes in the estimated fair value of the collateral.

Overview

Total Assets increased by \$218.1 million at June 30, 2026, compared to December 31, 2025, reflecting increases in net loans of \$110.0 million, securities available-for-sale of \$70.2 million and cash and cash equivalents of \$38.4 million. The increase in net loans was due to loan growth and loan purchases and the increase in securities available-for-sale was due to purchases of securities available-for-sale.

Loans Held for Investment, Net of the ACL, increased by \$110.0 million to \$1.1 billion at June 30, 2026, compared to \$1.0 billion at December 31, 2025. The increase was due to loan purchases and growth.

Deposits increased by \$197.0 million, or 21.5%, to \$1.1 billion at June 30, 2026, from \$917.6 million at December 31, 2025. The increase in deposits was attributable to increases of \$186.8 million in savings deposits, \$50.2 million in certificates of deposit accounts, and \$9.2 million in Certificate of Deposit Registry Service (“CDARS”) deposits (CDARS deposits are similar to ICS deposits, but involve certificates of deposit, instead of money market accounts), partially offset by decreases of \$42.9 million in liquid deposits (demand, interest checking, and money market accounts) and \$6.3 million in Insured Cash Sweep (“ICS”) deposits (ICS deposits are the Bank’s money market deposit accounts in excess of FDIC insured limits whereby the Bank makes reciprocal arrangements for insurance with other banks). As of June 30, 2026, our uninsured deposits represented 47% of our total deposits, compared to 41% as of December 31, 2025. We leverage our long-standing partnership with IntraFi Deposit Solutions to offer deposit insurance for accounts exceeding the FDIC deposit insurance limit of \$250,000.

Total Borrowings increased \$22.0 million to \$94.0 million at June 30, 2026, from \$72.0 million at December 31, 2025, due to additional FHLB advances.

Net income attributable to common stockholders was \$218 thousand during the second quarter of 2026, compared to net income attributable to common stockholders of \$2 thousand for the second quarter of 2025. Diluted income per common share was \$0.02 for the second quarter of 2026, compared to \$0.00 for the second quarter of 2025.

The Company reported consolidated net income before preferred dividends¹ of \$968 thousand, or \$0.11 per diluted common share¹, for the second quarter of 2026, compared to \$752 thousand, or \$0.09 per diluted common share, for the second quarter of 2025.

For the first six months of 2026, the Company reported consolidated net income before preferred dividends of \$2.1 million, or \$0.24 per diluted common share, compared to consolidated net loss before preferred dividends of \$1.9 million, or (\$0.23) per diluted common share, for the first six months of 2025.

Net income attributable to common stockholders was \$627 thousand during the first six months of 2026 after deducting preferred dividends of \$1.5 million, compared to net loss attributable to common stockholders of \$3.4 million for the first six months of 2025 after deducting preferred dividends of \$1.5 million. Diluted income per common share was \$0.07 for the first six months of 2026, compared to (\$0.39) of diluted loss per common share for the first six months of 2025. Diluted income per common share for the first six months of 2026 reflects preferred dividends of \$0.17 per diluted common share, compared to \$0.18 per diluted common share for the first six months of 2025.

¹ “Net income before preferred dividends” and “diluted earnings per common share before preferred dividends” are non-GAAP financial measures. A reconciliation of these non-GAAP financial measures and the nearest GAAP measures is provided in the “Use of Non-GAAP Financial Measures” section.

Results of Operations

Net Interest Income

Three Months Ended June 30, 2026 Compared to the Three Months Ended June 30, 2025

Net interest income totaled \$9.5 million, representing an increase of \$1.7 million, or 22.4%, from net interest income of \$7.8 million for the second quarter of 2025. The increase resulted from a \$3.4 million increase in interest income, primarily due to a \$2.0 million increase in interest income on available-for-sale securities, due to an increase in the average balance of available-for-sale securities, and a \$1.5 million increase in interest income on loans receivable as a result of an increase in the average balance of loans receivable. These increases in net interest income were partially offset by a \$2.1 million increase in interest expense on deposits, as a result of an increase in the average deposits balance and an increase in the average cost of deposits.

The net interest margin increased to 2.65% for the second quarter of 2026 from 2.58% for the second quarter of 2025, due to an increase in the average rate earned on interest-earning assets, which increased to 4.98% for the second quarter of 2026 from 4.80% for the second quarter of 2025, as well as an decrease in the cost of funds, which decreased to 3.02% for the second quarter of 2026 from 3.07% for the second quarter of 2025.

Six Months Ended June 30, 2026 Compared to the Six Months Ended June 30, 2025

Net Interest Income totaled \$18.5 million for the first six months of 2026, representing an increase of \$2.7 million, or 17.4%, from net interest income of \$15.8 million for the first six months of 2025. The increase resulted from a \$4.8 million increase in interest income, primarily due to a \$3.4 million increase in interest income on available-for-sale securities, due to an increase in the average rate and balance of available-for-sale securities, and a \$1.7 million increase in interest income on loans receivable as a result of an increase in the average balance of loans receivable. Further, interest on borrowings decreased \$1.8 million due to decreases in the average rate and balance of borrowings. These increases in net interest income were partially offset by a \$3.9 million increase in interest expense on deposits due to an increase in the average deposit rate and balance.

The net interest margin increased to 2.70% for the first six months of 2026 from 2.61% for the first six months of 2025, due to an increase in the average rate earned on interest-earning assets, which increased to 4.95% for the first six months of 2026 from 4.82% for the first six months of 2025, and a decrease in the cost of funds, which decreased to 2.97% for the first six months of 2026 from 3.07% for the first six months of 2025.

The following tables set forth the average balances, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. The yields set forth below include the effect of deferred loan fees, deferred origination costs, and discounts and premiums that are amortized or accreted to interest income or expense. We do not accrue interest on loans that are on non-accrual status; however, the balance of these loans is included in the total average balance of loans receivable, which has the effect of reducing average loan yields.

(Dollars in thousands)	For the Three Months Ended					
	June 30, 2026			June 30, 2025		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets						
Interest-earning assets:						
Interest-bearing deposits	\$ 13,380	\$ 120	3.60%	\$ 24,132	\$ 266	4.42%
Securities	312,186	3,210	4.12%	182,351	1,171	2.58%
Loans receivable, net ⁽¹⁾	1,101,866	14,353	5.22%	989,861	12,825	5.20%
FRB and FHLB stock	7,530	120	6.39%	7,473	135	7.25%
Total interest-earning assets	1,434,962	\$ 17,803	4.98%	1,203,817	\$ 14,397	4.80%
Non-interest-earning assets	42,246			48,563		
Total assets	\$ 1,477,208			\$ 1,252,380		
Liabilities and Equity						
Interest-bearing liabilities:						
Money market deposits	\$ 175,103	\$ 942	2.16%	\$ 133,930	\$ 336	1.01%
Savings deposits	244,794	2,213	3.63%	46,762	61	0.52%
Interest checking and other demand deposits	262,783	1,447	2.21%	251,146	1,975	3.15%
Certificate accounts	281,036	2,383	3.40%	270,424	2,507	3.72%
Total deposits	963,716	6,985	2.91%	702,262	4,879	2.79%
FHLB borrowings	62,884	614	3.92%	94,795	1,126	4.76%
Other borrowings	77,553	714	3.69%	69,721	637	3.66%
Total borrowings	140,437	1,328	3.79%	164,516	1,763	4.30%
Total interest-bearing liabilities	1,104,153	\$ 8,313	3.02%	866,778	\$ 6,642	3.07%
Non-interest-bearing liabilities	109,709			101,461		
Equity	263,346			284,141		
Total liabilities and equity	\$ 1,477,208			\$ 1,252,380		
Net interest rate spread ⁽²⁾		\$ 9,490	1.96%		\$ 7,755	1.72%
Net interest rate margin ⁽³⁾			2.65%			2.58%
Ratio of interest-earning assets to interest-bearing liabilities			129.96%			138.88%

(1) Amount is net of deferred loan fees, loan discounts and loans in process, and includes deferred origination costs and loan premiums.

(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(3) Net interest rate margin represents net interest income as a percentage of average interest-earning assets.

(Dollars in thousands)	For the Six Months Ended					
	June 30, 2026			June 30, 2025		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets						
Interest-earning assets:						
Interest-bearing deposits	\$ 17,945	\$ 321	3.61%	\$ 26,532	\$ 578	4.39%
Securities	288,930	5,823	4.06%	189,368	2,379	2.53%
Loans receivable, net ⁽¹⁾	1,070,644	27,640	5.21%	996,757	25,942	5.25%
FRB and FHLB stock	7,089	228	6.49%	9,320	299	6.47%
Total interest-earning assets	1,384,608	\$ 34,012	4.95%	1,221,977	\$ 29,198	4.82%
Non-interest-earning assets	42,310			49,364		
Total assets	\$ 1,426,918			\$ 1,271,341		
Liabilities and Equity						
Interest-bearing liabilities:						
Money market deposits	\$ 183,131	\$ 1,989	2.19%	\$ 126,557	\$ 593	0.94%
Savings deposits	174,022	2,844	3.30%	47,732	129	0.54%
Interest checking and other demand deposits	263,610	3,066	2.35%	253,384	3,886	3.09%
Certificate accounts	297,093	5,076	3.45%	247,498	4,470	3.64%
Total deposits	917,856	12,975	2.85%	675,171	9,078	2.71%
FHLB borrowings	53,531	1,035	3.90%	137,406	3,082	4.52%
Securities sold under agreements to repurchase	79,942	1,459	3.68%	68,453	1,238	3.65%
Total borrowings	133,473	2,494	3.77%	205,859	4,320	4.23%
Total interest-bearing liabilities	1,051,329	\$ 15,469	2.97%	881,030	\$ 13,398	3.07%
Non-interest-bearing liabilities	111,687			105,028		
Equity	263,902			285,283		
Total liabilities and equity	\$ 1,426,918			\$ 1,271,341		
Net interest rate spread ⁽²⁾		\$ 18,543	1.99%		\$ 15,800	1.75%
Net interest rate margin ⁽³⁾			2.70%			2.61%
Ratio of interest-earning assets to interest-bearing liabilities			131.7%			138.7%

(1) Amount is net of deferred loan fees, loan discounts and loans in process, and includes deferred origination costs and loan premiums.

(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(3) Net interest rate margin represents net interest income as a percentage of average interest-earning assets.

The Company recorded a provision for credit losses of \$1.5 million for the three months ended June 30, 2026, compared to \$200 thousand for the three months ended March 31, 2026. This increase was primarily due to the establishment of a specific reserve on a non-accrual loan, in addition to loan growth. Although a specific reserve was established during the quarter, broader portfolio metrics remained relatively stable, with non-performing assets representing 0.71% of total assets and non-accrual loans at 0.98% of total loans.

The Company recorded a provision for credit losses of \$1.7 million for the first six months of 2026, compared to \$1.5 million for the first six months of 2025.

The Company recorded a recapture of provision for off-balance sheet loan commitments of \$99 thousand and \$74 thousand for the three months ended June 30, 2026 and 2025, respectively. The Company recorded a recapture of provision for off-balance sheet loan commitments of \$21 thousand and \$56 thousand for the six months ended June 30, 2026 and 2025, respectively.

The ACL increased from \$9.4 million at December 31, 2025 to \$10.8 million at June 30, 2026. This increase was primarily due to loan portfolio growth, including an increase in the commercial-other portfolio, and a shift toward higher-risk loans, including an increase in substandard loans within the construction portfolio and higher past-due levels in construction. These factors were evaluated in the context of current conditions and reasonable and supportable forecasts for the Company's loan classes (single family, multifamily, CRE, church, construction, SBA, consumer, and commercial-other).

The Company had six non-accrual loans at June 30, 2026 with an unpaid principal balance of \$11.2 million. Credit quality remains stable with non-accrual loans as a percentage of total loans at 0.98% and non-performing assets to total assets of 0.71%.

Non-interest Income

Non-interest income was \$950 thousand for the second quarter of 2026, compared to \$355 thousand for the second quarter of 2025, representing an increase of \$595 thousand, or 167.6%. The increase was primarily due to a \$450 thousand loan fee related to the New Market Tax Credit allocation earned in the second quarter of 2026 and a \$250 thousand increase in earnings on bank owned life insurance, partially offset by an \$82 thousand decrease in grant income.

Non-interest income was \$1.5 million for the first six months of 2026, compared to \$643 thousand for the first six months of 2025, representing an increase of \$896 thousand, or 139.3%. The increase was primarily due to \$494 thousand of additional earnings on bank owned life insurance and a \$450 thousand loan fee related to the New Market Tax Credit allocation earned in the first six months of 2026.

Non-interest Expense

Non-interest expense was flat at \$7.5 million for both the second quarter of 2026 and the second quarter of 2025.

Non-interest expense was \$15.5 million for the first six months of 2026, compared to \$17.7 million for the first six months of 2025, representing a decrease of \$2.2 million, or 12.6%. The decrease was primarily due to a \$1.9 million operational loss incurred in the first six months of 2025 as well as a \$557 thousand decrease in compensation and benefits expense and a \$331 thousand decrease in professional services expense. These decreases in non-interest expenses were partially offset by an increase of \$264 thousand in information services expenses and a \$264 thousand increase in loan expenses.

Income Taxes

Income tax expense was \$330 thousand for the second quarter of 2026 compared to \$296 thousand for the second quarter of 2025. The increase in tax expense reflected an increase of \$441 thousand in pre-tax income between the two periods. The effective tax rate was 22.25% for the second quarter of 2026, compared to 28.41% for the second quarter of 2025.

Income tax expense/benefit was income tax expense of \$612 thousand for the first six months of 2026 compared to income tax benefit of \$790 thousand for the first six months of 2025. The increase in tax expense reflected an increase of \$5.6 million in pre-tax income between the two periods. The effective tax rate was 21.03% for the first six months of 2026, compared to 28.87% for the first six months of 2025.

Financial Condition

Total Assets

Total Assets increased by \$218.1 million at June 30, 2026, compared to December 31, 2025, reflecting increases in net loans of \$110.0 million, securities available-for-sale of \$70.2 million and cash and cash equivalents of \$38.4 million. The increase in net loans was due to loan growth and loan purchases and the increase in securities available-for-sale was due to purchases of securities available-for-sale.

Securities Available-For-Sale

Securities available-for-sale totaled \$327.0 million at June 30, 2026, compared to \$256.8 million at December 31, 2025. The \$70.2 million increase in securities available-for-sale during the six months ended June 30, 2026 was primarily due to securities purchases.

The table below presents the carrying amount, weighted average yields and contractual maturities of our securities as of June 30, 2026. The table reflects stated final maturities and does not reflect scheduled principal payments or expected payoffs.

June 30, 2026										
One Year or Less			More Than One Year to Five Years		More Than Five Years to Ten Years		More Than Ten Years		Total	
Carrying Amount	Weighted Average Yield		Carrying Amount	Weighted Average Yield	Carrying Amount	Weighted Average Yield	Carrying Amount	Weighted Average Yield	Carrying Amount	Weighted Average Yield
(Dollars in thousands)										
Available-for-sale:										
Federal agency mortgage-backed securities	\$ 5	3.01%	\$ 1,883	1.25%	\$ 8,908	2.04%	\$ 142,936	4.24%	\$ 153,732	4.07%
Federal agency CMOs	13	0.82%	3,136	4.09%	5,509	3.70%	90,314	4.58%	98,972	4.51%
Federal agency debt	8,831	1.33%	11,799	2.11%	3,054	4.05%	-	-	23,684	2.07%
Municipal bonds	-	-	3,059	1.50%	-	-	1,460	1.70%	4,519	1.56%
SBA pools	-	-	986	2.40%	-	-	6,619	2.23%	7,605	2.25%
Asset-backed securities	-	-	-	-	-	-	8,578	5.08%	8,578	5.08%
Corporate bonds	-	-	-	-	25,414	6.16%	4,526	6.21%	29,940	6.17%
Total	<u>\$ 8,849</u>	1.33%	<u>\$ 20,863</u>	2.25%	<u>\$ 42,885</u>	4.84%	<u>\$ 254,433</u>	4.36%	<u>\$ 327,030</u>	4.20%

Loans Receivable Held for Investment

Loans Held for Investment, Net of the ACL, increased by \$110.0 million to \$1.1 billion at June 30, 2026, compared to \$1.0 billion at December 31, 2025. The increase was comprised of \$84.8 million in purchased loans and \$26.6 in organic growth, net of paydowns and an increase in the ACL of \$1.4 million.

The following table presents loan categories by maturity for the period indicated. Actual repayments historically have, and will likely in the future, differ significantly from contractual maturities because individual borrowers generally have the right to prepay loans, with or without prepayment penalties.

June 30, 2026					
	One Year or Less	More Than One Year to Five Years	More Than Five Years to 15 Years	More Than 15 Years	Total
(Dollars in thousands)					
Loans receivable held for investment:					
Single-family	\$ 3,771	\$ 5,991	\$ 3,022	\$ 5,959	\$ 18,743
Multi-family	16,166	25,960	9,527	518,271	569,924
Commercial real estate	14,909	106,485	34,345	25,221	180,960
Church	2,649	2,348	3,850	-	8,847
Construction	52,116	38,794			90,910
Commercial - other	21,802	55,981	30,736	123,479	231,998
SBA loans	50		9,022	7,532	16,604
Consumer	65				65
	<u>\$ 111,528</u>	<u>\$ 235,559</u>	<u>\$ 90,502</u>	<u>\$ 680,462</u>	<u>\$ 1,118,051</u>
Loans maturities after one year with:					
Fixed rates					
Single-family		\$ 5,875	\$ 649	\$ -	\$ 6,524
Multi-family		24,461	4,610	-	29,071
Commercial real estate		83,967	23,366	-	107,333
Church		195	-	-	195
Construction		9,605	-	-	9,605
Commercial - other		40,981	16,324	24,370	81,675
SBA loans		-	3,295	-	3,295
Consumer		-	-	-	-
		<u>\$ 165,084</u>	<u>\$ 48,244</u>	<u>\$ 24,370</u>	<u>\$ 237,698</u>
Variable rates					
Single-family		\$ 116	\$ 2,373	\$ 5,959	\$ 8,448
Multi-family		1,499	4,917	518,271	524,687
Commercial real estate		22,518	10,979	25,221	58,718
Church		2,153	3,850	-	6,003
Construction		29,189	-	-	29,189
Commercial - other		15,000	14,412	99,109	128,521
SBA loans		-	5,727	7,532	13,259
Consumer					-
		<u>\$ 70,475</u>	<u>\$ 42,258</u>	<u>\$ 656,092</u>	<u>\$ 768,825</u>
Total		<u>\$ 235,559</u>	<u>\$ 90,502</u>	<u>\$ 680,462</u>	<u>\$ 1,006,523</u>

Certain multi-family loans have adjustable-rate features based on the Secured Overnight Financing Rate but are fixed for the first five years. Our experience has shown that these loans typically pay off during the first five years and do not reach the adjustable-rate phase. However, in the current interest rate environment, we have seen more borrowers maintain their loans instead of paying them off due to interest rate caps which make the adjusted interest rate on their existing loan more desirable than getting a new loan at current interest rates. Multi-family loans in their initial fixed period totaled \$362.9 million or 63.7% of our multi-family loan portfolio as of June 30, 2026.

Allowance for Credit Losses

The Company accounts for credit losses on loans in accordance with ASC 326, which requires the Company to record an estimate of expected lifetime credit losses for loans at the time of origination or acquisition. The ACL is maintained at a level deemed appropriate by management to provide for expected credit losses in the portfolio as of the date of the consolidated statements of financial condition. Estimating expected credit losses requires management to use relevant forward-looking information, including the use of reasonable and supportable forecasts. The measurement of the ACL is performed by collectively evaluating loans with similar risk characteristics.

During the quarter ended March 31, 2026, the Company transitioned from using the WARM method for measuring the ACL to a DCF method. Concurrently, the Company also changed the way that qualitative factors are applied in the estimation of the ACL. These changes are intended to improve the precision of the expected credit loss calculations.

The Company has a credit portfolio review process designed to detect problem loans. Problem loans are typically those of a substandard or worse internal risk grade, and may consist of loans on non-accrual status, loans that have recently been modified in response to a borrower's deteriorating financial condition, loans where the likelihood of foreclosure on underlying collateral has increased, collateral dependent loans, and other loans where concern or doubt over the ultimate collectability of all contractual amounts due has become elevated. Such loans may, in the opinion of management, be deemed to no longer possess risk characteristics similar to other loans in the loan portfolio because the specific attributes and risks associated with the loan have likely become

unique as the credit quality of the loan deteriorates. As such, these loans may require individual evaluation to determine an appropriate ACL for the loan. When a loan is individually evaluated, the Company typically measures the expected credit loss for the loan based on a discounted cash flow approach, unless the loan has been deemed collateral dependent. The ACL for collateral dependent loans is determined using estimates of the fair value of the underlying collateral, less estimated selling costs.

Loans delinquent by 30 days or more, but less than 60 days, increased to \$15.2 million at June 30, 2026, from \$11.8 million at December 31, 2025, primarily due to one construction loan, and loan delinquencies for 60 days or more, but less than 90 days, increased to \$7.8 million at June 30, 2026, from \$367 thousand at December 31, 2025, primarily due to one construction loan and one CRE loan. Loans past due greater than 90 days was \$11.1 million at June 30, 2026, compared to \$3.0 million at December 31, 2025, primarily due to one construction loan.

We believe the ACL is adequate to cover expected losses in the loan portfolio as of June 30, 2026, but there can be no assurance that actual losses will not exceed the estimated amounts. The OCC and the Federal Deposit Insurance Corporation (“FDIC”) periodically review the ACL as an integral part of their examination process. These agencies may require an increase in the ACL based on their judgments of the information available to them at the time of their examinations.

The following table details our allocation of the ACL to the various categories of loans held for investment and the percentage of loans in each category to total loans at the dates indicated:

	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Single-family	\$ 120	1.68%	\$ 132	2.03%	\$ 122	2.33%
Multi-family	5,264	50.97%	4,782	58.41%	6,288	63.36%
Commercial real estate	1,787	16.19%	1,193	16.01%	1,235	16.04%
Church	67	0.79%	36	0.89%	55	0.94%
Construction	1,963	8.13%	2,039	7.19%	1,291	8.22%
Commercial - other	1,589	20.75%	900	13.79%	814	8.62%
SBA loans	9	1.49%	342	1.68%	75	0.49%
Total allowance for credit losses	<u>\$ 10,799</u>	<u>100.00%</u>	<u>\$ 9,424</u>	<u>100.00%</u>	<u>\$ 9,880</u>	<u>100.00%</u>

Total Liabilities

Total liabilities increased by \$218.6 million to \$1.3 billion at June 30, 2026 from December 31, 2025, primarily due to an increase of \$197.0 million in deposits and a \$22.0 million increase in FHLB borrowings.

Deposits

Deposits increased by \$197.0 million, or 21.5%, to \$1.1 billion at June 30, 2026, from \$917.6 million at December 31, 2025. The increase in deposits was attributable to increases of \$186.8 million in savings deposits, \$50.2 million in certificates of deposit accounts, and \$9.2 million in CDARS deposits, partially offset by decreases of \$42.9 million in liquid deposits (demand, interest checking, and money market accounts) and \$6.3 million in ICS deposits. As of June 30, 2026, our uninsured deposits represented 47% of our total deposits, compared to 41% as of December 31, 2025.

The following table presents the maturity of time deposits, which includes CDARS, as of the dates indicated:

	Three Months or Less	Three to Six Months	Six Months to One Year (In thousands)	Over One Year	Total
June 30, 2026					
Time deposits of \$250,000 or less	\$ 114,895	\$ 67,033	\$ 49,164	\$ 2,873	\$ 233,965
Time deposits of more than \$250,000	93,797	14,548	12,968	3,842	125,155
Total	<u>\$ 208,692</u>	<u>\$ 81,581</u>	<u>\$ 62,132</u>	<u>\$ 6,715</u>	<u>\$ 359,120</u>
Not covered by deposit insurance	\$ 89,047	\$ 4,298	\$ 7,718	\$ 2,842	\$ 103,905
December 31, 2025					
Time deposits of \$250,000 or less	\$ 65,681	\$ 42,989	\$ 83,129	\$ 2,849	\$ 194,648
Time deposits of more than \$250,000	79,939	4,491	18,413	2,243	105,086
Total	<u>\$ 145,620</u>	<u>\$ 47,480</u>	<u>\$ 101,542</u>	<u>\$ 5,092</u>	<u>\$ 299,734</u>
Not covered by deposit insurance	\$ 74,439	\$ 2,491	\$ 14,913	\$ 1,743	\$ 93,586

Borrowings

The Bank enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Bank may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Bank to repurchase the assets. As a result, these repurchase agreements are accounted for as collateralized financing agreements (i.e., secured borrowings) and not as a sale and subsequent repurchase of securities. The obligation to repurchase the securities is reflected as a liability in the Company's consolidated statements of financial condition, while the securities underlying the repurchase agreements remain in the respective investment securities asset accounts. In other words, there is no offsetting or netting of the investment securities assets with the repurchase agreement liabilities. These agreements mature on a daily basis. As of June 30, 2026 securities sold under agreements to repurchase totaled \$81.9 million at an average rate of 3.69%. The fair value of securities pledged totaled \$85.7 million as of June 30, 2026. As of December 31, 2025, securities sold under agreements to repurchase totaled \$80.8 million at an average rate of 3.66%. The fair value of securities pledged totaled \$83.7 million as of December 31, 2025.

At June 30, 2026, the Company had outstanding advances from the FHLB totaling \$94.0 million. At December 31, 2025, the Company had outstanding advances from the FHLB totaling \$72.0 million. The weighted average interest rate was 3.83% and 3.79% as of June 30, 2026 and December 31, 2025, respectively. The weighted average contractual maturity was less than one month as of both June 30, 2026 and December 31, 2025. Loans with unpaid balances of \$437.8 million and \$448.6 million at June 30, 2026 and December 31, 2025, respectively, were pledged to secure FHLB advances. The Company is currently approved by the FHLB of Atlanta to borrow up to 25% of total assets to the extent the Company provides qualifying collateral and holds sufficient FHLB stock. Based on collateral pledged and FHLB stock held, the Company was eligible to borrow an additional \$148.4 million as of June 30, 2026.

In addition, the Company had additional lines of credit of \$10.0 million with other financial institutions as of June 30, 2026 and December 31, 2025. These lines of credit are unsecured, bear interest at the Federal funds rate as of the date of utilization and mature in 30 days. There were no amounts outstanding under these lines of credit as of June 30, 2026 or December 31, 2025.

Stockholders' Equity

Broadway Financial Corporation and subsidiary equity was \$262.3 million, or 16.8%, of the Company's total assets, at June 30, 2026, compared to \$262.8 million, or 19.5% of the Company's total assets, at December 31, 2025. Book value per share was \$12.11 at June 30, 2026 and \$12.28 at December 31, 2025. Capital ratios remain strong with a Community Bank Leverage Ratio of 13.20% at June 30, 2026 and 14.09% at December 31, 2025.

In February 2026, the Company issued 4,936 shares of restricted stock to an officer under the Amended and Restated LTIP.

In March 2026, the Company issued 97,298 shares of restricted stock to its officers and employees under the Amended and Restated LTIP. Each restricted stock award was valued based on the fair value of the stock on the date of the award. All the shares issued to officers and employees vest over periods ranging from 36 months to 48 months.

In March 2026, the Company awarded 21,400 shares of common stock to its directors under the LTIP, which are fully vested.

Liquidity

The objective of liquidity management is to ensure that we have the continuing ability to fund operations and meet our obligations on a timely and cost-effective basis.

During the first six months of 2026, the Company's balance sheet increased significantly due to growth in both loans and deposits. Loan growth was driven by a combination of organic production, including commercial and construction lending activities, and the purchase of government-guaranteed loans. Deposit growth was driven in part by utilizing the Raisin deposit platform, which provided access to additional funding sources to support loan growth and enhance liquidity. During the six months ended June 30, 2026, the Bank purchased \$94.0 million of government-guaranteed loans and obtained approximately \$238.3 million of deposits through the Raisin platform.

The Bank's sources of funds include deposits, advances from the FHLB and other borrowings, proceeds from the sale of loans and investment securities, and payments of principal and interest on loans and investment securities. The Bank is currently approved by the FHLB of Atlanta to borrow up to 25% of total assets to the extent the Bank provides qualifying collateral and holds sufficient FHLB stock. Based on FHLB stock held and collateral pledged as of June 30, 2026, the Bank had the ability to borrow an additional \$148.4 million from the FHLB of Atlanta. In addition, the Bank had additional lines of credit of \$10.0 million with other financial institutions.

The Bank's primary uses of funds include originations of loans, withdrawals of and interest payments on deposits, purchases of investment securities, and the payment of operating expenses. Also, when the Bank has more funds than required for reserve requirements or short-term liquidity needs, the Bank invests excess cash with the Federal Reserve Bank or other financial institutions. The Bank's liquid assets at June 30, 2026 consisted of \$48.9 million in cash and cash equivalents and \$229.9 million in securities available-for-sale that were not pledged, compared to \$10.5 million in cash and cash equivalents and \$161.1 million in securities available-for-sale that were not pledged at December 31, 2025. Currently, we believe the Bank has sufficient liquidity to support growth over the next twelve months and in the longer term.

Deposit growth during the first six months of 2026 included funding obtained through the Raisin platform. While deposits obtained through deposit placement platforms generally carry higher funding costs than certain traditional core deposit relationships, management believes they provide an efficient source of funding to support balance sheet growth, diversify funding sources and maintain liquidity. Management continues to monitor deposit pricing, concentrations, retention characteristics and overall funding costs associated with these deposits.

At June 30, 2026, liquid assets consisted of \$48.9 million in cash and cash equivalents and \$229.9 million of unpledged available-for-sale securities, compared to \$10.5 million and \$161.1 million, respectively, at December 31, 2025. Including available borrowing capacity from the FHLB and other funding lines, total available liquidity was approximately \$437.2 million at June 30, 2026.

The Bank had commitments to fund \$1.4 million in loans that were approved but unfunded as of June 30, 2026. In addition, the Bank had \$3.4 million in unfunded line of credit loans and \$31.6 million in unfunded construction loans as of June 30, 2026.

The Bank has a significant concentration of deposits with five customers that accounted for approximately 41% of its deposits as of June 30, 2026. The Bank also has a significant concentration of short-term borrowings from one customer that accounted for 93% of the outstanding balance of securities sold under agreements to repurchase as of June 30, 2026. The Bank has long-term relationships with these customers and expects to maintain its relationships with them for the foreseeable future.

The Company's liquidity, separate from the Bank, is based primarily on the proceeds from financing transactions, such as the preferred stock sold to the U.S. Treasury in 2022 and the previous private placements completed in December 2016 and April 2021, and dividends received from the Bank in 2024 and 2025. The Bank is currently under no prohibition from paying dividends to the Company but is subject to restrictions as to the amount of the dividends based on normal regulatory guidelines.

The Company recorded consolidated net cash outflows from investing activities of \$185.3 million during the six months ended June 30, 2026, compared to net cash inflows from investing activities of \$56.9 million during the six months ended June 30, 2025. Net cash outflows from investing activities for the six months ended June 30, 2026 were primarily due to funding of new loans, net of repayments, of \$111.9 million and purchases of available-for-sale securities of \$100.9 million, partially offset by \$28.9 million of principal payments on and maturities of available-for-sale securities. Net cash inflows from investing activities for the six months ended June 30, 2025 were primarily due to principal paydowns on available-for-sale securities of \$51.4 million and proceeds from loan repayments of \$21.3 million, partially offset by purchases of available-for-sale securities of \$21.6 million.

The Company recorded consolidated net cash inflows from financing activities of \$218.5 million during the six months ended June 30, 2026, compared to consolidated net cash outflows from financing activities of \$87.4 million during the six months ended June 30, 2025. Net cash inflows from financing activities during the six months ended June 30, 2026 were primarily due to proceeds of FHLB borrowings of \$449.3 million and a net increase in deposits of \$197.0 million, partially offset by repayments of FHLB borrowings of \$427.3 million. Net cash outflows from financing activities during the six months ended June 30, 2025 were primarily due to repayments of FHLB advances of \$512.0 million, partially offset by proceeds from FHLB advances of \$376.5 million and a net increase in deposits of \$53.5 million.

Capital Resources and Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary, actions by the regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors. As of June 30, 2026 and December 31, 2025, the Bank exceeded all capital adequacy requirements to which it is subject and meets the qualifications to be considered "well capitalized." (See Note 11 – Regulatory Matters.)

Use of Non-GAAP Financial Measures

Management uses non-GAAP measures because they provide information to investors about the underlying operational performance and trends of the Company. These disclosures should not be considered in isolation or as a substitute for results determined in accordance with GAAP and are not necessarily comparable to non-GAAP performance measures which may be presented by other bank holding companies. Management compensates for these limitations by providing detailed reconciliations between GAAP information and the non-GAAP financial measures. The tables below reconcile the GAAP financial measures to the associated non-GAAP financial measures.

Tangible book value per common share is a non-GAAP measurement that excludes the net unamortized core deposit intangible asset, which was originally recorded in connection with the CFBanc merger. The Company uses this non-GAAP financial measure to provide supplemental information regarding the Company's financial condition and operational performance. A reconciliation between common book value and tangible book value per common share is shown as follows:

	Common Equity Capital	Shares Outstanding (Dollars in thousands)	Per Share Amount
June 30, 2026			
Common book value	\$ 112,304	9,273,624	\$ 12.11
Less:			
Net unamortized core deposit intangible	1,308		
Tangible book value	110,996	9,273,624	11.97
December 31, 2025			
Common book value	112,751	9,180,498	12.28
Less:			
Net unamortized core deposit intangible	1,460		
Tangible book value	\$ 111,291	9,180,498	\$ 12.12

The Company calculates net income (loss) before preferred dividends by adding preferred stock dividends to net income (loss) available to common shareholders. Earnings (loss) per common share - diluted before preferred dividends is calculated by dividing net income (loss) before preferred dividends by the weighted average common shares outstanding for diluted earnings (loss) per common share. The Company considers this information important to shareholders because it illustrates net income and earnings per common share - diluted excluding the impact of preferred dividends.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2026	2025	2026	2025
	(Dollars in thousands)		(Dollars in thousands)	
Net income (loss) attributable to common shareholders	\$ 218	\$ 2	\$ 627	\$ (3,437)
Add: Preferred stock dividends	750	750	1,500	1,500
Net income (loss) before preferred dividends	\$ 968	\$ 752	\$ 2,127	\$ (1,937)
Weighted average common shares outstanding for diluted earnings (loss) per common share	8,874,673	8,808,467	8,845,593	8,557,745
Earnings (loss) per common share - diluted	0.02	0.00	0.07	(0.39)
Earnings (loss) per common share - diluted before preferred dividends	\$ 0.11	\$ 0.09	\$ 0.24	\$ (0.23)

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) as of June 30, 2026 was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and other members of the Company's senior management. Based on the evaluation, management identified material weaknesses related to the Company's internal control over financial reporting and, as a result, concluded that the Company's disclosure controls and procedures were ineffective as of June 30, 2026. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements would not be prevented or detected on a timely basis.

Management identified the following material weaknesses in the Company's internal control over financial reporting:

The Company did not maintain effective components of the COSO framework in the areas of control activities, information and communication process and monitoring activities that contributed to the following material weaknesses:

- The Company did not have controls in place to identify unusual or infrequent equity-related contracts entered into which could have a material impact on accounting and financial reporting.
- The Company did not maintain controls to consider subsequent appraisals for collateral dependent loans.

Remediation Plans

In response to the identified material weaknesses, the Company's management, with the oversight of the Audit Committee of our Board of Directors, has dedicated significant resources, including additional employee training, toward efforts to improve our internal control over financial reporting. Management is actively engaged in the implementation of remediation efforts to address the material weaknesses.

- Thorough discussion and review of all new unusual or infrequent equity-related contracts each quarter with documentation of accounting treatment and disclosure with respect to such transactions that could have a potential impact on the Company's financial statements, and
- An enhancement of the controls over the allowance for credit losses at each quarter end to evaluate that all appraisals for collateral dependent loans that are received prior to the date that the financial statements are issued have been evaluated by management and considered in the estimate of the allowance for credit losses.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions, and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None

Item 1A. RISK FACTORS

Management is not aware of any material changes to the risk factors that appeared under "Part I, Item 1A. Risk Factors" in the 2025 Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. MINE SAFETY DISCLOSURES

Not Applicable

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

Exhibit Number*	
3.1	Amended and Restated Certificate of Incorporation of Registrant effective as of April 1, 2021 (Exhibit 3.1 to Form 8-K filed by Registrant on April 5, 2021)
3.2	Certificate of Amendment to Certificate of Incorporation of Registrant (Exhibit 3.1 to Form 8-K filed by Registrant on November 1, 2023)
3.3	Bylaws of Registrant (Exhibit 3.2 to Form 8-K filed by Registrant on August 24, 2020)
3.4	Certificate of Designations of Senior Non-Cumulative Perpetual Preferred Stock, Series C (Exhibit 3.1 to Form 8-K filed by Registrant on June 8, 2022)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Exhibits followed by a parenthetical reference are incorporated by reference herein from the document filed by the Registrant with the SEC described therein. Except as otherwise indicated, the SEC File No. for each incorporated document is 001-39043.

** Management contract or compensatory plan or arrangement.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 13, 2026	By: <u>/s/ Brian Argrett</u> Brian Argrett Chief Executive Officer
Date: August 13, 2026	By: <u>/s/ Zack Ibrahim</u> Zack Ibrahim Chief Financial Officer

SECTION 302 CERTIFICATION

I, Brian Argrett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Broadway Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2026

By: /s/ Brian Argrett

Brian Argrett
Chief Executive Officer

SECTION 302 CERTIFICATION

I, Zack Ibrahim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Broadway Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2026

By: /s/ Zack Ibrahim
Zack Ibrahim
Chief Financial Officer

SECTION 906 CERTIFICATION

The following statement is provided by the undersigned to accompany the foregoing Report on Form 10-Q pursuant to Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed filed pursuant to any provision of the Securities Exchange Act of 1934 or any other securities law.

The undersigned certifies that the foregoing Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Broadway Financial Corporation at the dates and for the periods indicated.

Date: August 13, 2026

By: /s/ Brian Argrett

Brian Argrett
Chief Executive Officer

SECTION 906 CERTIFICATION

The following statement is provided by the undersigned to accompany the foregoing Report on Form 10-Q pursuant to Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed filed pursuant to any provision of the Securities Exchange Act of 1934 or any other securities law.

The undersigned certifies that the foregoing Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Broadway Financial Corporation at the dates and for the periods indicated.

Date: August 13, 2026

By: /s/ Zack Ibrahim
Zack Ibrahim
Chief Financial Officer
