



BROOKLYN FEDERAL B A N C O R P , I N C .

Dear Fellow Stockholders:

As an institution founded in 1887, this is not the first time we have been faced with tumultuous times. Deteriorating economic fundamentals, rising unemployment, decreasing real estate values, dislocations in our credit markets and unprecedented government intervention all have contributed to make 2009 a difficult year for both our country and industry.

Unfortunately, our performance in 2009 was not immune to the impact of the economic recession. Our results were primarily driven by our need to make provisions for possible future loan losses. Our risk management process prompted an increase in our provision for possible loan losses and losses from other than temporary impairment of investment securities. Our allowance for possible loan losses increased to \$10.7 million for fiscal year 2009 from \$2.2 million for fiscal year 2008. At the end of fiscal year 2009, our allowance for loan losses stands at 2.50% of total loans outstanding compared to 0.59% at the end of fiscal year 2008.

It was a challenging year for our company. Comparing financial results from fiscal year 2009 to fiscal year 2008, our total assets increased to \$521.4 million from \$483.8 million, our net income decreased to \$1.3 million from \$5.6 million, our gross loans receivable including loans held for sale increased to \$430.4 million from \$375.5 million, our net interest margin increased to 4.88% from 4.40%, our non-performing assets increased to \$22.1 million from \$2.0 million, and the percentage of total non-performing assets to total assets increased to 4.23% from 0.42%.

We are pleased to report, however, that we continue to have capital ratios that exceed all thresholds for Brooklyn Federal Savings Bank to be considered "well capitalized". As a result, we can continue to support profitable growth, and we decided not to participate in the U.S. Department of the Treasury's "Troubled Asset Relief Program".

In addition, our deposits increased in fiscal year 2009 to \$402.1 million from \$342.5 million in fiscal year 2008, and our newest full-service branch in Commack, Suffolk County, New York continues to show strong growth and profitability.

In October 2009, our Board of Directors approved a 10% increase in our quarterly cash dividend to \$0.11 per share of common stock.

Our experienced management and servicing personnel will continue to manage interest rate risk, expenses and work diligently with those loans experiencing difficulty in today's environment.

We look at 2010 with guarded optimism. The economic environment may create opportunities for well-capitalized community banks like Brooklyn Federal Savings Bank. We will work hard to ensure your company survives adversity and thrives by continuing to offer exceptional customer service and employing careful financial management.

We want to thank our directors, management and staff for their dedication throughout the year to safety, soundness and service excellence. Above all, we want to thank you, our valued stockholders, for your ongoing support.

Sincerely,

/s/ Richard A. Kielty

Richard A. Kielty

President and Chief Executive Officer

/s/ Daniel O. Reich

Daniel O. Reich

Chairman of the Board of Directors