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OptimumBank Holdings, Inc.
Form 10QSB
August 12, 2005

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

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act
of 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission File Number 0001288855

OPTIMUMBANK HOLDINGS, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Florida

55-0865043

(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

2477 East Commercial Boulevard
Fort Lauderdale, Florida 33308

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(954) 776-2332

(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED
SINCE LAST REPORT)

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 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 X No

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State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common stock, par value \$.01 per share	2,661,835 shares
-----	-----
(CLASS)	OUTSTANDING AT JULY 18, 2005

Transitional Small Business Format (check one): YES [] NO [X]

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	JUNE 30, 2005	DECEMBER 2004
	----- (UNAUDITED)	-----
ASSETS		
Cash and due from banks	\$ 242	\$ 3
Federal funds sold	339	2,8
	-----	-----
Total cash and cash equivalents	581	3,2
Securities held to maturity (fair value approximates \$28,937 and \$24,065)	29,072	24,1
Security available for sale	249	2
Loans, net of allowance for loan losses of \$773 and \$628	150,529	128,8
Loans held for sale	504	5
Federal Home Loan Bank stock	2,212	1,9
Premises and equipment, net	4,103	4,1
Foreclosed real estate	3,315	
Accrued interest receivable	868	8
Other assets	873	6
	-----	-----
Total assets	\$ 192,306	\$ 164,5
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing demand deposits	\$ 564	\$ 5
Savings, NOW and money-market deposits	7,521	8,0
Time deposits	103,978	89,3
	-----	-----
Total deposits	112,063	97,9
Federal Home Loan Bank advances	41,300	37,6
Other borrowings	12,950	5,0
Junior subordinated debenture	5,155	5,1
Other liabilities	364	5
Official checks	2,610	1,2
Deferred income tax liability	305	3
	-----	-----
Total liabilities	174,747	147,8
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value; 6,000,000 shares authorized, 2,661,835 and 2,650,102 shares issued and outstanding	27	
Additional paid-in capital	14,113	14,0
Retained earnings	3,420	2,6

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Accumulated other comprehensive income (loss)	(1)	
Total stockholders' equity	17,559	16,7
Total liabilities and stockholders' equity	\$ 192,306	\$ 164,5

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Interest income:				
Loans	\$2,427	\$1,880	\$4,499	\$3,812
Securities	338	185	637	379
Other	31	29	76	50
Total interest income	2,796	2,094	5,212	4,241
Interest expense:				
Deposits	892	679	1,673	1,362
Borrowings	531	264	947	532
Total interest expense	1,423	943	2,620	1,894
Net interest income	1,373	1,151	2,592	2,347
Provision for loan losses	112	25	145	55
Net interest income after provision for loan losses	1,261	1,126	2,447	2,292
Noninterest income:				
Service charges and fees	52	39	100	77
Prepayment fees collected	154	148	341	329
Other	15	9	38	11
Total noninterest income	221	196	479	417
Noninterest expenses:				
Salaries and employee benefits	463	402	936	816
Occupancy and equipment	150	101	291	209
Data processing	50	38	101	76
Professional fees	60	38	102	71
Insurance 18	13	34	25	
Stationary and supplies	12	17	22	33
Other	102	81	196	162
Total noninterest expenses	855	690	1,682	1,392

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Earnings before income taxes	627	632	1,244	1,317
Income taxes	239	241	472	502
Net earnings	\$ 388	\$ 391	\$ 772	\$ 815
Net earnings per share:				
Basic	\$.15	\$.15	\$.29	\$.31
Diluted	\$.14	\$.14	\$.28	\$.30
Dividends per share	\$ --	\$ --	\$ --	\$ --

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(DOLLARS IN THOUSANDS)

	COMMON STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at December 31, 2003	2,613,501	\$ 26	13,800	1,070
Comprehensive income:				
Net earnings for the six months ended June 30, 2004 (unaudited)	--	--	--	81
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--
Comprehensive income (unaudited)	--	--	--	--
Proceeds from sale of common stock (unaudited)	915	--	9	--
Proceeds from exercise of common stock options (unaudited)	19,734	--	103	--
Balance at June 30, 2004 (unaudited)	2,634,150	\$ 26	13,912	1,891
Balance at December 31, 2004	2,650,102	\$ 27	14,051	2,642
Comprehensive income:				

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Net earnings for the six months ended June 30, 2005 (unaudited)	--	--	--	77
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--
Comprehensive income (unaudited)	--	--	--	--
Proceeds from exercise of common stock options (unaudited)	11,733	--	62	--
Balance at June 30, 2005 (unaudited)	2,661,835	\$ 27	14,113	3,42

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN THOUSANDS)

	SIX MONTHS JUNE 30	
	2005	
Cash flows from operating activities:		
Net earnings	\$ 772	\$
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	131	
Provision for loan losses	145	
Net amortization of fees, premiums and discounts	106	
Repayments of loans held for sale	5	
Decrease (increase) in accrued interest receivable	10	
Increase in other assets	(195)	
Increase in official checks and other liabilities	1,243	
Net cash provided by operating activities	2,217	
Cash flows from investing activities:		
Purchases of securities held to maturity	(7,843)	
Principal repayments of securities held to maturity	2,926	
Net increase in loans	(25,306)	
Purchase of premises and equipment	(120)	
Net increase in Federal Home Loan Bank stock	(247)	
Net cash used in investing activities	(30,590)	
Cash flows from financing activities:		
Net increase in deposits	14,069	
Proceeds from sale of common stock, net	--	
Proceeds from exercise of common stock options	62	
Net increase in Federal Home Loan Bank advances	3,650	

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Net increase (decrease) in other borrowings	7,950	

Net cash provided by financing activities	25,731	

Net (decrease) increase in cash and cash equivalents	(2,642)	
Cash and cash equivalents at beginning of the period	3,223	

Cash and cash equivalents at end of the period	\$ 581	\$
	=====	=
Supplemental disclosure of cash flow information: Cash paid during the period for:		
Interest	\$ 2,533	\$
	=====	=
Income taxes	\$ 1,004	\$
	=====	=
Noncash investing activities:		
Change in accumulated other comprehensive income (loss)		
net change in unrealized loss on security available for sale	\$ 2	\$
	=====	=
Loans reclassified to foreclosed real estate	\$ 3,315	\$
	=====	=

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

- (1) GENERAL. OptimumBank Holdings, Inc. (the "Holding Company") is a one-bank holding company and owns 100% of OptimumBank (the "Bank"), a state (Florida)-chartered commercial bank (collectively, the "Company"). The Holding Company's only business is the operation of the Bank. The Bank's deposits are insured by the Federal Deposit Insurance Corporation. The Bank offers a variety of community banking services to individual and corporate customers through its three banking offices located in Broward County, Florida.

In the opinion of the management, the accompanying condensed consolidated financial statements of the Company contain all adjustments (consisting principally of normal recurring accruals) necessary to present fairly the financial position at June 30, 2005, and the results of operations for the three- and six-month periods ended June 30, 2005 and 2004, and cash flows for the six-months periods ended June 30, 2005 and 2004. The results of operations for the three and six months ended June 30, 2005, are not necessarily indicative of the results to be expected for the full year.

- (2) LOAN IMPAIRMENT AND CREDIT LOSSES. The activity in the allowance for loan losses was as follows (in thousands):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	-----	-----	-----	-----
	2005	2004	2005	2004
	-----	-----	-----	-----
Balance at beginning of period	\$ 661	\$ 522	\$ 628	\$ 492

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Provision for loan losses	112	25	145	55
	-----	-----	-----	-----
Balance at end of period	\$ 773	\$ 547	\$ 773	\$ 547
	=====	=====	=====	=====

The following summarizes the amount of impaired loans, all of which are collateral dependent (in thousands):

	AT	
	JUNE 30, 2005	DECEMBER 31, 2004
	-----	-----
Loans identified as impaired:		
Gross loans with related allowance for losses recorded	\$ --	\$ 3,268
Less allowance for losses on these loans	--	--
	-----	-----
Net investment in impaired loans	\$ --	\$ 3,268
	=====	=====
Nonaccrual loans	\$ --	\$ 3,268
	=====	=====
Loans past due 90 days still accruing interest	\$ --	\$ --
	=====	=====

(continued)

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

- (2) LOAN IMPAIRMENT AND CREDIT LOSSES, CONTINUED. The average net investment in impaired loans and interest income recognized and received on impaired loans is as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS EN JUNE 30,	
	2005	2004	2005	2004
	-----	-----	-----	-----
Average net investment in impaired loans	\$ 467	\$ --	\$1,870	\$ --
	=====	=====	=====	=====
Interest income recognized on impaired loans	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====
Interest income received on impaired loans	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====

- (3) REGULATORY CAPITAL. The Company and the Bank are required to maintain certain minimum regulatory capital requirements. The following is a summary at June 30, 2005 of the regulatory capital requirements and the Company's and the Bank's capital on a percentage basis:

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	COMPANY -----	BANK -----	REGULATORY REQUIREMENT -----
Tier I capital to total average assets	11.98%	11.87%	4.00%
Tier I capital to risk-weighted assets	16.77%	16.62%	4.00%
Total capital to risk-weighted assets	17.34%	17.20%	8.00%

- (4) EARNINGS PER SHARE. Basic earnings per share has been computed on the basis of the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share were computed based on the weighted-average number of shares outstanding plus the effect of outstanding stock options, computed using the treasury stock method. Earnings per common share have been computed based on the following:

	THREE MONTHS ENDED JUNE 30,		
	2005 -----	2004 -----	
Weighted-average number of common shares outstanding used to calculate basic earnings per common share	2,658,585	2,633,020	2,
Effect of dilutive stock options	90,264 -----	75,207 -----	--
Weighted-average number of common shares outstanding used to calculate diluted earnings per common share	2,748,849 =====	2,708,227 =====	==

- (5) STOCK OPTIONS. The Company established a Stock Option Plan (the "Plan") for officers, directors and employees of the Company and reserved 522,000 shares of common stock for the Plan. Both incentive stock options and nonqualified stock options may be granted under the Plan. The exercise price of the stock options is determined by the board of directors at the time of grant, but cannot be less than the fair market value of the common stock on the date of grant. The options vest over three and five years. The options must be exercised within ten years from the date of grant.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED

- (5) STOCK OPTIONS, CONTINUED. A summary of the activity in the Company's stock option plan is as follows (dollars in thousands, except per

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share amounts):

	NUMBER OF SHARES	RANGE OF PER SHARE OPTION PRICE	AVERAGE EXERCISE PRICE
	-----	-----	-----
Outstanding at December 31, 2004	370,433	\$ 5.00-10.00	\$ 7.19
Granted	10,000	12.49	12.49
Exercised	(11,733)	5.00-6.75	5.36
Forfeited	(3,000)	6.75-10.00	8.37
	-----	-----	-----
Outstanding at June 30, 2005	365,700	\$ 5.00-12.49	\$ 7.39
	=====	=====	=====

The Company accounts for their stock option plan under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. No stock-based employee compensation cost is reflected in net earnings, as all options granted under this plan had an exercise price which approximated the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net earnings if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure to stock-based employee compensation (in thousands, except per share amounts).

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS JUNE
	2005	2004	2005
	-----	-----	-----
Net earnings, as reported	\$ 388	\$ 391	\$ 772
Deduct: Total stock-based employee compensation determined under the fair value based method for all awards, net of related tax effect	44	69	88
	-----	-----	-----
Proforma net earnings	\$ 344	\$ 322	\$ 684
	=====	=====	=====
Basic earnings per share:			
As reported	\$.15	\$.15	\$.29
	=====	=====	=====
Proforma	\$.13	\$.12	\$.26
	=====	=====	=====
Diluted earnings per share:			
As reported	\$.14	\$.14	\$.28
	=====	=====	=====
Proforma	\$.13	\$.12	\$.25
	=====	=====	=====

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

REVIEW BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Hacker, Johnson & Smith PA, the Company's independent registered public accounting firm, have made a limited review of the interim financial data as of June 30, 2005, and for the three- and six-month periods ended June 30, 2005 and 2004, presented in this document, in accordance with standards established by the Public Company Accounting Oversight Board.

Their report furnished pursuant to Article 10 of Regulation S-X is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

OptimumBank Holdings, Inc.
Plantation, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of OptimumBank Holdings, Inc. and Subsidiary (the "Company") as of June 30, 2005, and the condensed consolidated statements of earnings for the three- and six-month periods ended June 30, 2005 and 2004 and the related condensed consolidated statements of stockholders' equity and cash flows for the six-month periods ended June 30, 2005 and 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public

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Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the consolidated balance sheet as of December 31, 2004, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 22, 2005, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Fort Lauderdale, Florida

July 22, 2005

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

COMPARISON OF JUNE 30, 2005 AND DECEMBER 31, 2004

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash during the six months ended June 30, 2005 were from net deposit inflows of approximately \$14.1 million, principal repayments of securities held to maturity of approximately \$2.9 million and Federal Home Loan Bank advances and other borrowings of \$11.6 million. Cash was used primarily for net loan originations of approximately \$25.3 million and purchases of securities held to maturity of approximately \$7.8 million. At June 30, 2005, the Company had time deposits of approximately \$53.0 million that mature in one year or less. At June 30, 2005, the Company exceeded its regulatory liquidity requirements. Management believes that, if so desired, it can adjust the rates on time deposits to retain or attract deposits in a changing interest-rate environment.

The following table shows selected information for the periods ended or at the dates indicated:

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	SIX MONTHS ENDED JUNE 30, 2005 -----	YEAR ENDED DECEMBER 31, 2004 -----	SIX MON ENDED JUNE 3 2004 -----
Average equity as a percentage of average assets	9.70%	10.53%	10.58%
Equity to total assets at end of period	9.13%	10.16%	10.29%
Return on average assets (1)	.87%	1.06%	1.15%
Return on average equity (1)	8.98%	10.05%	10.89%
Noninterest expenses to average assets (1)	1.90%	1.89%	1.97%
Nonperforming assets to total assets at end of period	1.72%	2.54%	--%

(1) Annualized for the six months ended June 30, 2005 and 2004.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

OFF-BALANCE SHEET ARRANGEMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and undisbursed loans in process. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amounts recognized in the consolidated balance sheet. The contract or notional amounts of those instruments reflect the extent of the Company's involvement in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and undisbursed loans in process is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination

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clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counter party.

A summary of the amounts of the Company's financial instruments, with off-balance sheet risk at June 30, 2005, follows (in thousands):

	CONTRACT AMOUNT
Commitments to extend credit	\$ 9,861
Undisbursed loans in process	\$ 4,115

Management believes that the Company has adequate resources to fund all of its commitments and that substantially all its existing commitments will be funded in the next twelve months.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest income; (iv) interest rate spread; (v) net interest margin; and (vi) ratio of average interest-earning assets to average interest-bearing liabilities.

	2005			THREE MONTHS ENDED JUN
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERA BALAN
Interest-earning assets:				
Loans	\$ 145,080	\$ 2,427	6.69%	\$ 113,4
Securities	30,405	338	4.45	16,1
Other interest-earning assets (1)	2,840	31	4.37	8,6

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Total interest-earning assets/interest income	178,325	2,796	6.27	138,2

Cash and due from banks	258	--	--	4
Premise and equipment	4,125	--	--	1,9
Other assets	5,420	--	--	2,0
	-----			-----
Total assets	\$ 188,128	--	--	\$ 142,7
	=====			=====
Interest-bearing liabilities:				
Savings, NOW and money-market deposits	7,640	26	1.36	8,8
Time deposits	98,525	866	3.52	79,8
Borrowings (2)	61,132	531	3.47	35,7
	-----	-----		-----
Total interest-bearing liabilities/ interest expense	167,297	1,423	3.40	124,4

Noninterest-bearing demand deposits	1,070	--	--	1,2
Other liabilities	2,399	--	--	2,0
Stockholders' equity	17,362	--	--	14,9
	-----			-----
Total liabilities and stockholders' equity	\$ 188,128	--	--	\$ 142,7
	=====			=====
Net interest income	--	\$ 1,373	--	
		=====		
Interest-rate spread (3)	--	--	2.87%	
			=====	
Net interest margin (4)	--	--	3.08%	
			=====	
Ratio of average interest-earning assets to average interest-bearing liabilities	1.07	--	--	1.
	-----			-----

(1) Includes interest-earning deposits with banks, Federal funds sold, and Federal Home Loan Bank stock dividends.

(2) Includes Federal Home Loan Bank advances, securities sold under agreements to repurchase and junior subordinated debenture.

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

(4) Net interest margin is net interest income divided by average interest-earning assets.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest income; (iv) interest rate spread; (v) net interest margin; and (vi) ratio of average interest-earning assets to average interest-bearing liabilities.

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	SIX MONTHS ENDED JUNE			
	2005			
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE
Interest-earning assets:				
Loans	\$ 135,511	\$ 4,499	6.64%	\$ 114,0
Securities	28,782	637	4.43	16,3
Other interest-earning assets (1)	4,530	76	3.35	6,1
Total interest-earning assets/interest income	168,823	5,212	6.17	136,5
Cash and due from banks	417	--	--	5
Premise and equipment	2,857	--	--	1,9
Other assets	5,004	--	--	2,3
Total assets	\$ 177,101	--	--	\$ 141,4
Interest-bearing liabilities:				
Savings, NOW and money-market deposits	7,829	45	1.15	8,2
Time deposits	94,227	1,628	3.46	78,9
Borrowings (2)	54,542	947	3.47	36,4
Total interest-bearing liabilities/ interest expense	156,598	2,620	3.35	123,6
Noninterest-bearing demand deposits	1,079	--	--	9
Other liabilities	2,237	--	--	1,8
Stockholders' equity	17,187	--	--	14,9
Total liabilities and stockholders' equity	\$ 177,101	--	--	\$ 141,4
Net interest income	--	\$ 2,592	--	
Interest-rate spread (3)	--	--	2.82%	
Net interest margin (4)	--	--	3.07%	
Ratio of average interest-earning assets to average interest-bearing liabilities	1.08	--	--	1.

(1) Includes interest-earning deposits with banks, Federal funds sold, and Federal Home Loan Bank stock dividends. (2) Includes Federal Home Loan Bank advances, securities sold under agreements to repurchase and junior subordinated debenture. (3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(4) Net interest margin is net interest income divided by average interest-earning assets.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

COMPARISON OF THE THREE-MONTH PERIODS ENDED JUNE 30, 2005 AND 2004

GENERAL. Net earnings for the three months ended June 30, 2005, were \$388,000 or \$.15 per basic and \$.14 per diluted share compared to net earnings of \$391,000 or \$.15 per basic and \$.14 per diluted share for the period ended June 30, 2004. This decrease in the Company's net earnings was primarily due to an increase in noninterest expenses and the provision for loan losses which was partially offset by an increase in net interest income and noninterest income, all of which were due to the overall growth of the Company.

INTEREST INCOME. Interest income increased to \$2.8 million for the three months ended June 30, 2005 from \$2.1 million for the three months ended June 30, 2004. Interest income on loans increased to \$2.4 million due primarily to an increase in the average loan portfolio balance and an increase in the average yield earned for the three months ended June 30, 2005. Interest on securities increased to \$338,000 due primarily to an increase in the average balance of the securities portfolio in 2005.

INTEREST EXPENSE. Interest expense on deposits increased to \$892,000 for the three months ended June 30, 2005, from \$679,000 for the three months ended June 30, 2004. Interest expense increased primarily because of an increase in the average balance and the average rate paid on deposits during 2005. Interest expense on borrowings increased to \$531,000 for the three months ended June 30, 2005 from \$264,000 for the three months ended June 30, 2004 due to an increase in the average balance of borrowings and an increase in the average rate paid on borrowings during 2005.

PROVISION FOR LOAN LOSSES. The provision for loan losses is charged to earnings to bring the total allowance to a level deemed appropriate by management and is based upon historical experience, the volume and type of lending conducted by the Company, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market areas, and other factors related to the estimated collectibility of the Company's loan portfolio. The provision for the three months ended June 30, 2005, was \$112,000 compared to \$25,000 for the same period in 2004. Management believes the balance in the allowance for loan losses of \$773,000 at June 30, 2005, is adequate.

NONINTEREST INCOME. Total noninterest income increased to \$221,000 for the three months ended June 30, 2005, from \$196,000 for the three months ended June 30, 2004.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$855,000 for the three months ended June 30, 2005 from \$690,000 for the three months ended June 30, 2004, primarily due to an increase in salaries and employee benefits of \$61,000, an increase in occupancy and equipment of \$49,000, and an increase in professional fees of \$22,000 all due to the continued growth of the Company.

INCOME TAXES. Income taxes for the three months ended June 30, 2005, were \$239,000 (an effective rate of 38.1%) compared to income taxes of \$241,000 (an effective rate of 38.1%) for the three months ended June

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30, 2004.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

COMPARISON OF THE SIX-MONTH PERIODS ENDED JUNE 30, 2005 AND 2004

GENERAL. Net earnings for the six months ended June 30, 2005, were \$772,000 or \$.29 per basic and \$.28 per diluted share compared to net earnings of \$815,000 or \$.31 per basic and \$.30 per diluted share for the period ended June 30, 2004. This decrease in the Company's net earnings was primarily due to an increase in noninterest expenses and the provision for loan losses which was partially offset by an increase in the net interest income and noninterest expenses.

INTEREST INCOME. Interest income increased to \$5.2 million for the six months ended June 30, 2005 from \$4.2 million for the six months ended June 30, 2004. Interest income on loans increased to \$4.5 million due primarily to an increase in the average loan portfolio balance for the six months ended June 30, 2005. Interest on securities increased to \$637,000 due primarily to an increase in the average balance which was partially offset by a decrease in the average yield earned on the securities portfolio in 2005.

INTEREST EXPENSE. Interest expense on deposits increased to \$1.7 million for the six months ended June 30, 2005, from \$1.4 million for the six months ended June 30, 2004. Interest expense increased primarily because of an increase in the average balance of deposits during 2005. Interest expense on borrowings increased to \$947,000 for the six months ended June 30, 2005 from \$532,000 for the six months ended June 30, 2004 due to an increase in the average balance of borrowings and an increase in the average rate paid on borrowings during 2005.

PROVISION FOR LOAN LOSSES. The provision for loan losses is charged to earnings to bring the total allowance to a level deemed appropriate by management and is based upon historical experience, the volume and type of lending conducted by the Company, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market areas, and other factors related to the estimated collectibility of the Company's loan portfolio. The provision for the six months ended June 30, 2005, was \$145,000 compared to \$55,000 for the same period in 2004. Management believes the balance in the allowance for loan losses of \$773,000 at June 30, 2005, is adequate.

NONINTEREST INCOME. Total noninterest income increased to \$479,000 for the six months ended June 30, 2005, from \$417,000 for the six months ended June 30, 2004.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$1.7 million for the six months ended June 30, 2005 from \$1.4 million for the six months ended June 30, 2004, primarily due to an increase in

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salaries and employee benefits of \$120,000, an increase in occupancy and equipment of \$82,000, an increase in professional fees of \$31,000, and an increase in other expenses of \$34,000 all due to the continued growth of the Company.

INCOME TAXES. Income taxes for the six months ended June 30, 2005, were \$472,000 (an effective rate of 37.9%) compared to income taxes of \$502,000 (an effective rate of 38.1%) for the six months ended June 30, 2004.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

ITEM 3. CONTROLS AND PROCEDURES

- a. Evaluation of Disclosure Controls and Procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the chief executive and principal accounting officers of the Company concluded that the Company's disclosure controls and procedures were adequate.
- b. Changes in Internal Controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive and principal accounting officers.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of the Shareholders (the "Annual Meeting") of Optimum Bank was held on April 28, 2005, to consider the election of directors each for a term of one year.

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At the Annual Meeting, 2,110,017 shares were present in person or by proxy. The following is a summary and tabulation of the matters that were voted upon at the Annual Meeting:

Proposal I

The election of directors each for a term of one year is as follows:

	FOR	WITHHELD	AGAINST
	-----	-----	-----
Albert J. Finch	2,063,777	46,240	--
	=====	=====	=====
Richard L. Browdy	2,063,777	46,240	--
Michael Bedzow	2,109,977	40	--
Sam Borek	2,110,017	--	--
Irving P. Cohen	2,110,017	--	--
Gordon Deckelbaum	2,109,977	40	--
Paul B. Fay, Jr.	2,063,777	46,240	--
H. David Krinsky	2,063,777	46,240	--
Larry R. Willis	2,109,977	40	--
Wendy Mitcher	2,109,977	40	--

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are filed with or incorporated by reference into this report. The exhibits denominated by (i) an asterisk (*) were previously filed as a part of a Registration Statement on Form 10-SB under the Exchange Act, filed with the Federal Deposit Insurance Corporation on March 28, 2003; (ii) a double asterisk (**) were previously filed as a part of an Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on March 30, 2004; (iii) a triple asterisk (***) were previously filed as part of a current report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2004; and (iv) a quadruple asterisk (****) were previously filed as part of an Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
-----	-----
** 2	Agreement and Plan of Reorganization dated March 23,

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- *** 3.1 Articles of Incorporation
- *** 3.3 Bylaws
- * 4.1 Form of stock certificate
- **** 10.1 Amended and Restated Stock Option Plan
- * 10.2 Nonemployee Directors Stock Purchase Plan
- * 10.3 Agreement between OptimumBank, Albert J. Finch and Richard L. Browdy dated June 14, 2002
- 31.1 Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act 31.2 Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of 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 Sarbanes-Oxley Act of 2002

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

PART II. OTHER INFORMATION

SIGNATURES

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

OPTIMUMBANK HOLDINGS, INC.
(Registrant)

Date: August 12, 2005

By: /s/ Albert J. Finch

Albert J. Finch, Chief Executive Officer

Date: August 12, 2005

By: /s/ Richard L. Browdy

Richard L. Browdy, Chief Financial Officer