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OptimumBank Holdings, Inc.
Form 10QSB
November 14, 2005

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 SEPTEMBER 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 No

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

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 NOVEMBER 3, 2005

Transitional Small Business Format (check one): YES NO

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS	PAGE
Condensed Consolidated Balance Sheets - September 30, 2005 (unaudited) and December 31, 2004.....	2
Condensed Consolidated Statements of Earnings - Three and Nine Months ended September 30, 2005 and 2004 (unaudited).....	3
Condensed Consolidated Statements of Stockholders' Equity - Nine Months ended September 30, 2005 and 2004 (unaudited).....	4
Condensed Consolidated Statements of Cash Flows - Nine Months ended September 30, 2005 and 2004 (unaudited).....	5
Notes to Condensed Consolidated Financial Statements (unaudited).....	6-8
Review By Independent Registered Public Accounting Firm.....	9
Report of Independent Registered Public Accounting Firm.....	10
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	11-16
ITEM 3. CONTROLS AND PROCEDURES.....	17
PART II. OTHER INFORMATION	
ITEM 6. EXHIBITS.....	17
SIGNATURES.....	18

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	SEPTEMBER 30, 2005	DECEMBER 31, 2004
	-----	-----
Cash and due from banks	\$ 506	\$ 506
Federal funds sold	2,816	2,816
	-----	-----
Total cash and cash equivalents	3,322	3,322
Securities held to maturity		

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(fair value approximates \$27,378 and \$24,065)	27,433	
Security available for sale	244	
Loans, net of allowance for loan losses of \$733 and \$628	159,443	1
Loans held for sale	--	
Federal Home Loan Bank stock	2,428	
Premises and equipment, net	4,101	
Foreclosed real estate, net	3,003	
Accrued interest receivable	921	
Other assets	758	
	-----	-----
Total assets	\$ 201,653	\$ 1
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing demand deposits	\$ 415	\$
Savings, NOW and money-market deposits	11,235	
Time deposits	103,496	
	-----	-----
Total deposits	115,146	
Federal Home Loan Bank advances	46,650	
Other borrowings	12,950	
Junior subordinated debenture	5,155	
Other liabilities	736	
Official checks	2,756	
Deferred income tax liability	305	
	-----	-----
Total liabilities	183,698	1
	-----	-----
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	
Retained earnings	3,821	
Accumulated other comprehensive income (loss)	(6)	
	-----	-----
Total stockholders' equity	17,955	
	-----	-----
Total liabilities and stockholders' equity	\$ 201,653	\$ 1
	=====	=====

See Accompanying Notes to Condensed Consolidated Financial Statements.

2

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	THREE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
	-----	-----
Interest income:		
Loans	\$ 2,545	\$ 2,017
Securities	322	218

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Other	24	18
	-----	-----
Total interest income	2,891	2,253
	-----	-----
Interest expense:		
Deposits	985	713
Borrowings	543	282
	-----	-----
Total interest expense	1,528	995
	-----	-----
Net interest income	1,363	1,258
(Credit) provision for loan losses	(40)	52
	-----	-----
Net interest income after (credit) provision for loan losses	1,403	1,206
	-----	-----
Noninterest income:		
Service charges and fees	30	8
Loan prepayment fees	128	98
Other	5	7
	-----	-----
Total noninterest income	163	113
	-----	-----
Noninterest expenses:		
Salaries and employee benefits	462	417
Occupancy and equipment	164	116
Data processing	52	38
Professional fees	25	46
Insurance 18	13	52
Stationary and supplies	11	7
Other	186	75
	-----	-----
Total noninterest expenses	918	712
	-----	-----
Earnings before income taxes	648	607
Income taxes	247	231
	-----	-----
Net earnings	\$ 401	\$ 376
	=====	=====
Net earnings per share:		
Basic	\$.15	\$.14
	=====	=====
Diluted	\$.15	\$.14
	=====	=====

See Accompanying Notes to Condensed Consolidated Financial Statements.

3

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY
 CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
 (DOLLARS IN THOUSANDS)

COMMON STOCK

ADDITIONAL

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	SHARES	AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS
Balance at December 31, 2003	2,613,501	\$ 26	13,800	1,078
Comprehensive income:				
Net earnings for the nine months ended September 30, 2004 (unaudited)	--	--	--	1,191
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--
Comprehensive income (unaudited)				
Proceeds from sale of common stock (unaudited)	1,174	--	12	--
Proceeds from exercise of common stock options (unaudited)	34,067	--	177	--
Balance at September 30, 2004 (unaudited)	2,648,742	\$ 26	13,989	2,269
Balance at December 31, 2004	2,650,102	\$ 27	14,051	2,648
Comprehensive income:				
Net earnings for the nine months ended September 30, 2005 (unaudited)	--	--	--	1,173
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 September 30, 2005 (unaudited)	2,661,835	\$ 27	14,113	3,821

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	NINE MONTHS SEPTEMBER	
	2005	

Cash flows from operating activities:		
Net earnings	\$ 1,173	\$
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	196	
Provision for loan losses	105	
Provision for losses on foreclosed real estate	92	
Net amortization of fees, premiums and discounts	213	
Repayments of loans held for sale	509	
Increase in accrued interest receivable	(43)	
Increase in other assets	(80)	
Increase in official checks and other liabilities	1,761	

Net cash provided by operating activities	3,926	

Cash flows from investing activities:		
Purchases of securities held to maturity	(7,843)	
Principal repayments and calls of securities held to maturity	4,567	
Net increase in loans	(34,289)	
Purchase of premises and equipment	(183)	
(Purchase) redemption of Federal Home Loan Bank stock	(463)	
Proceeds from foreclosed real estate	220	

Net cash used in investing activities	(37,991)	

Cash flows from financing activities:		
Net increase in deposits	17,152	
Net increase (decrease) in other borrowings	7,950	
Issuance of junior subordinated debenture	--	
Proceeds from sale of common stock	--	
Proceeds from exercise of common stock options	62	
Net increase in Federal Home Loan Bank advances	9,000	

Net cash provided by financing activities	34,164	

Net increase in cash and cash equivalents	99	
Cash and cash equivalents at beginning of the period	3,223	

Cash and cash equivalents at end of the period	\$ 3,322	\$
	=====	
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 4,167	\$
	=====	
Income taxes	\$ 1,204	\$
	=====	
Noncash investing activities:		
Change in accumulated other comprehensive income (loss), net change in unrealized loss on security available for sale	\$ (3)	\$
	=====	
Loans reclassified to foreclosed real estate	\$ 3,315	\$
	=====	

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See Accompanying Notes to Condensed Consolidated Financial Statements.

5

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 up to the applicable limits 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 September 30, 2005, and the results of operations for the three- and nine-month periods ended September 30, 2005 and 2004, and cash flows for the nine-months periods ended September 30, 2005 and 2004. The results of operations for the three and nine months ended September 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Balance at beginning of period	\$ 773	\$ 547	\$ 628	\$ 492
(Credit) provision for loan losses	(40)	52	105	107
Balance at end of period	\$ 733	\$ 599	\$ 733	\$ 599

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

	SEPTEMBER 30, 2005	AT DECEMBER 200
Loans identified as impaired:		
Gross loans with related allowance for losses recorded	\$ --	\$3,2
Less allowance for losses on these loans	--	

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Net investment in impaired loans	\$ --	\$3,2
	=====	=====
Nonaccrual loans	\$ --	\$3,2
	=====	=====
Loans past due 90 days still accruing interest	\$ --	\$
	=====	=====

The activities in the allowance for losses on foreclosed real estate is as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MO SEPT
	2005	2004	2005
	----	-----	----
Balance at beginning of period	\$--	\$ --	\$--
Provision for losses on foreclosed real estate	92	--	92
	---	-----	---
Balance at end of period	\$92	\$ --	\$92
	===	=====	===

6

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 SEPTEMBER 30,		NINE SE
	2005	2004	2005
	-----	-----	-----
Average net investment in impaired loans	\$ --	\$ --	\$ 1,258
	=====	=====	=====
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 September 30, 2005 of the regulatory capital requirements and the Company's and the Bank's capital on a percentage basis:

COMPANY	BANK	REGULATORY REQUIREMENT
-----	----	-----

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Tier I capital to total average assets	11.90%	11.76%	4.00%
Tier I capital to risk-weighted assets	15.86%	15.69%	4.00%
Total capital to risk-weighted assets	16.37%	16.20%	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 SEPTEMBER 30,	
	2005	2004
Weighted-average number of common shares outstanding used to calculate basic earnings per common share	2,661,835	2,642,215
Effect of dilutive stock options	91,088	70,073
Weighted-average number of common shares outstanding used to calculate diluted earnings per common share	2,752,923	2,712,288

- (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)

7

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 share amounts):

	NUMBER OF SHARES	RANGE OF PER SHARE OPTION PRICE	WEIGHTED- AVERAGE EXERCISE PRICE
Outstanding at December 31, 2004	370,433	\$ 5.00-10.00	\$ 7.19
Granted	10,000	12.49	12.49

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Exercised	(11,733)	5.00-6.75	5.36
Forfeited	(3,000)	6.75-10.00	8.37
	-----	-----	-----
Outstanding at September 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER
	2005	2004	2005
	-----	-----	-----
Net earnings, as reported	\$ 401	\$ 376	\$ 1,173
Deduct: Total stock-based employee compensation determined under the fair value based method for all awards, net of related tax effect	44	39	132
	-----	-----	-----
Proforma net earnings	\$ 357	\$ 337	\$ 1,041
	=====	=====	=====
Basic earnings per share:			
As reported	\$.15	\$.14	\$.44
	=====	=====	=====
Proforma	\$.13	\$.13	\$.39
	=====	=====	=====
Diluted earnings per share:			
As reported	\$.15	\$.14	\$.43
	=====	=====	=====
Proforma	\$.13	\$.12	\$.38
	=====	=====	=====

8

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 September 30, 2005, and for the three- and nine-month periods ended September 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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9

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 September 30, 2005, and the condensed consolidated statements of earnings for the three- and nine-month periods ended September 30, 2005 and 2004 and the related condensed consolidated statements of stockholders' equity and cash flows for the nine-month periods ended September 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 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
November 2, 2005

10

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

COMPARISON OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash during the nine months ended September 30, 2005 were from net deposit inflows of approximately \$17.2 million, principal repayments of securities held to maturity of

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approximately \$4.6 million and Federal Home Loan Bank advances of \$9 million and other borrowings of \$8.0 million. Cash was used primarily for net loan originations of approximately \$34.3 million and purchases of securities held to maturity of approximately \$7.8 million. At September 30, 2005, the Company had time deposits of approximately \$55.6 million that mature in one year or less. At September 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:

	NINE MONTHS ENDED SEPTEMBER 30, 2005	YEAR ENDED DECEMBER 31, 2004	NINE MON ENDED SEPTEMBER 2004
	-----	-----	-----
Average equity as a percentage of average assets	9.54%	10.53%	10.63%
Equity to total assets at end of period	8.90%	10.16%	10.34%
Return on average assets (1)	0.86%	1.06%	1.10%
Return on average equity (1)	8.98%	10.05%	10.36%
Noninterest expenses to average assets (1)	1.90%	1.89%	1.94%
Nonperforming assets to total assets at end of period	1.49%	2.54%	--%

(1) Annualized for the nine months ended September 30, 2005 and 2004.

11

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

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as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination 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 September 30, 2005, follows (in thousands):

	CONTRACT AMOUNT
Commitments to extend credit	\$ 12,948
Undisbursed loans in process	\$ 1,449

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.

12

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.

	THREE MONTHS ENDED SEPTEMBER			
	2005			
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE
Interest-earning assets:				
Loans	\$150,880	2,545	6.75%	\$120,569
Securities	28,724	322	4.48	19,790
Other (1)	2,867	24	3.35	2,683
Total interest-earning assets	182,471	2,891	6.34	143,042
Cash and due from banks	286			416

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Premises and equipment	4,104			3,384
Other	5,947			2,995
	-----			-----
Total assets	\$192,808			\$149,837
	=====			=====
Interest-bearing liabilities:				
Savings, NOW and money-market deposit accounts	7,682	19	0.99	9,653
Time deposits	103,379	966	3.74	82,656
Borrowings	59,843	543	3.63	39,124
	-----	-----		-----
Total interest-bearing liabilities	170,904	1,528	3.58	131,433

Demand deposits	845			866
Noninterest-bearing liabilities	3,224			1,506
Stockholders' equity	17,835			16,032
	-----			-----
Total liabilities and stockholders' equity	\$192,808			\$149,837
	=====			=====
Net interest income		\$ 1,363		
		=====		
Interest-rate spread (3)			2.76%	
			=====	
Net interest margin (4)			2.99%	
			=====	
Ratio of average interest-earning assets to average interest-bearing liabilities	1.07			1.09
	=====			=====

-
- (1) Includes 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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	NINE MONTHS ENDED SEPTEMBER			
	2005			
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE
Interest-earning assets:				
Loans	\$ 140,634	7,044	6.67%	\$ 116,211
Securities	28,762	959	4.44	17,516
Other (1)	3,976	100	3.35	5,010
	-----	-----		-----
Total interest-earning assets	173,372	8,103	6.23	138,737

Cash and due from banks	214			480
Premises and equipment	4,119			2,434
Other	4,632			2,593
	-----			-----
Total assets	\$ 182,337			\$ 144,244
	=====			=====
Interest-bearing liabilities:				
Savings, NOW and money-market deposit accounts	7,780	64	1.10	8,746
Time deposits	97,277	2,593	3.56	80,156
Borrowings	56,310	1,490	3.53	37,316
	-----	-----		-----
Total interest-bearing liabilities	161,367	4,147	3.43	126,218

Demand deposits	1,001			944
Noninterest-bearing liabilities	2,566			1,756
Stockholders' equity	17,403			15,326
	-----			-----
Total liabilities and stockholders' equity	\$ 182,337			\$ 144,244
	=====			=====
Net interest income		\$ 3,956		
		=====		
Interest-rate spread (3)			2.80%	
			=====	
Net interest margin (4)			3.04%	
			=====	
Ratio of average interest-earning assets to average interest-bearing liabilities	1.07			1.10
	=====			=====

(1) Includes federal funds sold and Federal Home Loan Bank stock

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- 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.

14

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

GENERAL. Net earnings for the three months ended September 30, 2005, were \$401,000 or \$.15 per basic and diluted share compared to net earnings of \$376,000 or \$.14 per basic and diluted share for the period ended September 30, 2004. This increase in the Company's net earnings was primarily due to an increase in net interest income and noninterest income which was partially offset by an increase in noninterest expenses, all of which were due to the overall growth of the Company.

INTEREST INCOME. Interest income increased to \$2.9 million for the three months ended September 30, 2005 from \$2.3 million for the three months ended September 30, 2004. Interest income on loans increased to \$2.5 million due primarily to an increase in the average loan portfolio balance for the three months ended September 30, 2005. Interest on securities increased to \$322,000 due primarily to an increase in the average balance and an increase in the yield earned on the securities portfolio in 2005.

INTEREST EXPENSE. Interest expense on deposit accounts increased to \$985,000 for the three months ended September 30, 2005, from \$713,000 for the three months ended September 30, 2004. Interest expense on deposits increased primarily because of an increase in the average balance of deposits during 2005. Interest expense on borrowings increased to \$543,000 for the three months ended September 30, 2005 from \$282,000 for the three months ended September 30, 2004 due to an increase in the average balance of borrowings.

(CREDIT) PROVISION FOR LOAN LOSSES. The (credit) 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 Company recorded a credit for the three months ended September 30, 2005 of \$(40,000) compared to a provision of \$52,000 for the same period in 2004. Management believes the balance in the allowance for loan losses of \$733,000 at September 30, 2005, is adequate.

NONINTEREST INCOME. Total noninterest income increased to \$163,000 for the three months ended September 30, 2005, from \$113,000 for the three months ended September 30, 2004, primarily due to increases in prepayment fees collected and service charges and fees.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$918,000 for the three months ended September 30, 2005 from \$712,000 for the three months ended September 30, 2004, primarily due to an increase in

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salaries and employee benefits of \$45,000 and an increase in occupancy and equipment of \$48,000, all due to the continued growth of the Company.

INCOME TAXES. Income taxes for the three months ended September 30, 2005, were \$247,000 (an effective rate of 38.2%) compared to income taxes of \$231,000 (an effective rate of 38.1%) for the three months ended September 30, 2004.

15

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

COMPARISON OF THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

GENERAL. Net earnings for the nine months ended September 30, 2005, were \$1,173,000 or \$.44 per basic and \$.43 per diluted share compared to net earnings of \$1,191,000 or \$.45 per basic and \$.43 per diluted share for the period ended September 30, 2004. This increase in the Company's net earnings was primarily due to an increase in net interest income and noninterest income which was partially offset by an increase in noninterest expenses, all of which were due to the overall growth of the Company.

INTEREST INCOME. Interest income increased to \$8.1 million for the nine months ended September 30, 2005 from \$6.5 million for the nine months ended September 30, 2004. Interest income on loans increased to \$7.0 million due primarily to an increase in the average loan portfolio balance for the nine months ended September 30, 2005. Interest on securities increased to \$959,000 due primarily to an increase in the average balance and an increase in the yield earned on the securities portfolio in 2005.

INTEREST EXPENSE. Interest expense on deposit accounts increased to \$2.7 million for the nine months ended September 30, 2005, from \$2.1 million for the nine months ended September 30, 2004. Interest expense on deposits increased primarily because of an increase in the average balance of deposits during 2005. Interest expense on borrowings increased to \$1,490,000 for the nine months ended September 30, 2005 from \$814,000 for the nine months ended September 30, 2004 due to an increase in the average balance of borrowings.

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 nine months ended September 30, 2005, was \$105,000 compared to \$107,000 for the same period in 2004. Management believes the balance in the allowance for loan losses of \$733,000 at September 30, 2005, is adequate.

NONINTEREST INCOME. Total noninterest income increased to \$642,000 for the nine months ended September 30, 2005, from \$530,000 for the nine months ended September 30, 2004 primarily as a result of an increase in prepayment fees collected of \$42,000 and an increase in service charges and fees of \$45,000.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$2.6 million for the nine months ended September 30, 2005 from \$2.1 million for the

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nine months ended September 30, 2004, primarily due to an increase in salaries and employee benefits of \$165,000 and an increase in occupancy and equipment expense of \$130,000, all due to the continued growth of the Company.

INCOME TAXES. Income taxes for the nine months ended September 30, 2005, were \$719,000 (an effective rate of 38.0%) compared to income taxes of \$733,000 (an effective rate of 38.1%) for the nine months ended September 30, 2004.

16

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.

PART II. OTHER INFORMATION

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 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, 2004
***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

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- 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

17

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: November 14, 2005

By: /s/ Albert J. Finch

Albert J. Finch,
Chief Executive Officer

Date: November 14, 2005

By: /s/ Richard L. Browdy

Richard L. Browdy,
Chief Financial Officer

18