

OptimumBank Holdings, Inc.  
Form 10QSB  
August 14, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

\_\_\_\_\_  
**FORM 10-QSB**  
\_\_\_\_\_

(Mark One)

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

**For the quarterly period ended June 30, 2007**

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**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)

(IRS Employer Identification No.)

**2477 East Commercial Boulevard, Fort Lauderdale, FL 33308**

(Address of principal executive offices)

**954-776-2332**

(Issuer's telephone number)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 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: 2,961,169 common shares issued and outstanding as of August 13, 2007

Transitional Small Business Disclosure Format (Check one): Yes  No

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**OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY**

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**OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except per share amounts)**

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
	<i>(unaudited)</i>	
<b>Assets</b>		
Cash and due from banks	\$ 1,478	\$ 923
Federal funds sold	1,542	681
Total cash and cash equivalents	3,020	1,604
Securities held to maturity (fair value approximates \$52,824 and \$33,150)	53,168	33,399
Security available for sale	237	241
Loans, net of allowance for loan losses of \$736 and \$974	172,383	181,878
Federal Home Loan Bank stock	2,830	2,956
Premises and equipment, net	3,334	3,990
Accrued interest receivable	1,369	1,254
Other assets	1,115	381
Total assets	\$ 237,456	\$ 225,703
<b>Liabilities and Stockholders Equity</b>		
Liabilities:		
Noninterest-bearing demand deposits	\$ 2,003	\$ 545
Savings, NOW and money-market deposits	26,288	25,875
Time deposits	93,616	103,082
Total deposits	121,907	129,502
Federal Home Loan Bank advances	53,150	56,550
Securities sold under agreement to repurchase	31,900	10,950
Junior subordinated debenture	5,155	5,155
Official checks	2,956	2,463
Other liabilities	1,167	660
Total liabilities	216,235	205,280
Stockholders equity:		

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Common stock, \$.01 par value; 6,000,000 shares authorized, 2,961,169 and 2,820,280 shares issued and outstanding	30	28
Additional paid-in capital	17,230	15,930
Retained earnings	3,973	4,474
Accumulated other comprehensive loss	(12 )	(9 )
Total stockholders' equity	21,221	20,423
Total liabilities and stockholders' equity	\$ 237,456	\$ 225,703

See Accompanying Notes to Condensed Consolidated Financial Statements.

## 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,	
	2007	2006	2007	2006
Interest income:				
Loans	\$ 3,238	\$ 3,081	\$ 6,561	\$ 6,091
Securities	705	275	1,154	562
Other	62	44	117	89
Total interest income	4,005	3,400	7,832	6,742
Interest expense:				
Deposits	1,444	1,202	2,918	2,314
Borrowings	986	679	1,752	1,386
Total interest expense	2,430	1,881	4,670	3,700
Net interest income	1,575	1,519	3,162	3,042
Provision for loan losses	209	27	520	133
Net interest income after provision for loan losses	1,366	1,492	2,642	2,909
Noninterest income:				
Service charges and fees	11	14	26	37
Loan prepayment fees	142	70	210	137
Gain on early extinguishment of debt				178
Litigation settlement	5	93	155	93
Other	1	3	2	7
Total noninterest income	159	180	393	452
Noninterest expenses:				
Salaries and employee benefits	480	505	977	996
Occupancy and equipment	161	157	328	316
Data processing	36	41	84	82
Professional fees	69	66	126	132
Insurance	15	17	30	36
Stationary and supplies	10	6	22	17
Other	134	100	231	198
Total noninterest expenses	905	892	1,798	1,777
Earnings before income taxes	620	780	1,237	1,584
Income taxes	233	294	435	581
Net earnings	\$ 387	\$ 486	\$ 802	\$ 1,003
Net earnings per share:				
Basic	\$ .13	\$ .16	\$ .27	\$ .34

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Diluted	\$	.13	\$	.16	\$	.26	\$	.32
Dividends per share	\$		\$		\$		\$	

See Accompanying Notes to Condensed Consolidated Financial Statements.

## OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(Dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Loss	Total Stockholders Equity
	Shares	Amount				
Balance at December 31, 2005	2,663,775	\$ 27	14,141	4,249	(7 )	18,410
Comprehensive income:						
Net earnings for the six months ended June 30, 2006 (unaudited)				1,003		1,003
Net change in unrealized loss on security available for sale (unaudited)					(8 )	(8 )
Comprehensive income (unaudited)						955
Proceeds from exercise of common stock options, including tax benefit of \$37 (unaudited)	18,000		141			141
5% stock dividend (unaudited)	134,078	1	1,608	(1,609 )		
Balance at June 30, 2006 (unaudited)	2,815,853	\$ 28	15,890	3,643	(15 )	19,546
Balance at December 31, 2006	2,820,280	28	15,930	4,474	(9 )	20,423
Comprehensive income:						
Net earnings for the six months ended June 30, 2007 (unaudited)				802		802
Net change in unrealized loss on security available for					(3 )	(3 )



sale (unaudited)							
Comprehensive income (unaudited)							799
5% stock dividend (fractional shares paid in cash) (unaudited)	140,889	2	1,300	(1,303 )			(1 )
Balance at June 30, 2007 (unaudited)	2,961,169	\$ 30	17,230	3,973	(12 )		21,221

See Accompanying Notes to Condensed Consolidated Financial Statements.

## OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net earnings	\$ 802	\$ 1,003
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	114	114
Provision for loan losses	520	133
Gain on early extinguishment of debt		(178 )
Net amortization of fees, premiums and discounts	105	332
Increase in accrued interest receivable	(115 )	49
(Increase) decrease in other assets	(734 )	369
Increase in official checks and other liabilities	1,001	1,731
Net cash provided by operating activities	1,693	3,455
Cash flows from investing activities:		
Purchases of securities held to maturity	(24,680 )	(4,926 )
Principal repayments of securities held to maturity	5,017	1,825
Decrease (increase) in loans	8,764	(9,380 )
Sale (purchase) of premises and equipment	542	(82 )
Redemption (purchase) of Federal Home Loan Bank stock	126	(275 )
Net cash used in investing activities	(10,231 )	(12,838 )
Cash flows from financing activities:		
(Decrease) increase in deposits	(7,595 )	5,147
Proceeds from exercise of common stock options		104
(Decrease) increase in Federal Home Loan Bank advances	(3,400 )	4,458
Net increase in securities sold under agreement to repurchase	20,950	
Tax benefit associated with exercise of common stock options		37
Fractional shares of stock dividend paid in cash	(1 )	
Net cash provided by financing activities	9,954	9,746
Net increase in cash and cash equivalents	1,416	363
Cash and cash equivalents at beginning of the period	1,604	1,154
Cash and cash equivalents at end of the period	\$ 3,020	\$ 1,517
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 4,671	\$ 3,705

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Income taxes	\$	802	\$	818
Noncash investing and financing activities:				
Change in accumulated other comprehensive loss, net change in unrealized loss on security available for sale	\$	(3 )	\$	(8 )
Common stock dividend	\$	1,302	\$	1,609

See Accompanying Notes to Condensed Consolidated Financial Statements.

**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, 2007, and the results of operations for the three- and six-month periods ended June 30, 2007 and 2006, and cash flows for the six-months periods ended June 30, 2007 and 2006. The results of operations for the three and six months ended June 30, 2007, 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):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Balance at beginning of period	\$ 1,113	\$ 883	\$ 974	\$ 777
Charge-offs	(586 )		(758 )	
Provision for loan losses	209	27	520	133
Balance at end of period	\$ 736	\$ 910	\$ 736	\$ 910

There were no impaired loans at June 30, 2007 or December 31, 2006.

The average net investment in impaired loans and interest income recognized and received on impaired loans is as follows (in thousands):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Average net investment in impaired loans	\$ 3,771	\$	\$ 3,189	\$
Interest income recognized on impaired loans	\$	\$	\$ 39	\$
Interest income received on impaired loans	\$	\$	\$ 39	\$

(continued)



## OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED

(2) **Loan Impairment and Credit Losses, Continued** At December 31, 2006, the Company had no nonaccrual loans or loans over ninety days past due still accruing interest. Nonaccrual and past due loans were as follows as of June 30, 2007 (in thousands):

Nonaccrual loans	\$	115
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Past ninety days or more, but still accruing interest	\$	—
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(3) **Regulatory Capital.** The Bank is required to maintain certain minimum regulatory capital requirements. The following is a summary at June 30, 2007 of the regulatory capital requirements and the Bank's capital on a percentage basis:

	<b>Bank</b>	<b>Regulatory Requirement</b>
Tier I capital to total average assets	10.87%	4.00%
Tier I capital to risk-weighted assets	17.09%	4.00%
Total capital to risk-weighted assets	17.57%	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. All amounts reflect the 5% stock dividends declared in May, 2007 and April, 2006. Earnings per common share have been computed based on the following:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Weighted-average number of common shares				
Outstanding used to calculate basic earnings per common share	2,961,169	2,955,986	2,961,169	2,948,796
Effect of dilutive stock options	73,668	157,116	77,941	143,446
Weighted-average number of common shares outstanding used to calculate diluted earnings per common share	3,034,837	3,113,102	3,039,110	3,092,242

(continued)



**OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED**

(5) **Stock-Based Compensation.** Prior to January 1, 2006, the Company's stock option plan was accounted for under the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25 (Opinion 25), *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by Financial Accounting Standards Board (FASB) Statement No. 123, *Accounting for Stock-Based Compensation* (as amended by Statement of Financial Accounting Standards (SFAS) No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*) (collectively SFAS 123). No stock-based employee compensation cost was recognized in the Company's consolidated statements of earnings through December 31, 2005, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), *Share-Based Payment* (SFAS 123(R)), using the modified-prospective-transition method. Under that transition method, compensation cost to be recognized beginning in 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value calculated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). As of December 31, 2005, all stock options were fully vested and no options were granted in 2006 or 2007; therefore, no stock-based compensation has been recognized in 2006 or 2007.

The Company established an incentive Stock Option Plan (the Plan) for officers, directors and employees of the Company and reserved 572,082 (amended) 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. However, the Company accelerated the vesting of all unvested options in the Plan in 2005, in order to reduce noncash compensation expense that would have been recorded in its consolidated statements of earnings in future years due to the adoption of SFAS No. 123(R) in January 2006. The options must be exercised within ten years from the date of grant. At June 30, 2007, 9,702 options were available for grant.

(continued)



## OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED

(5) *Stock-Based Compensation, Continued.* A summary of the activity in the Company's stock option plan is as follows. All amounts reflect the 5% stock dividends declared in May 2007 and April 2006. The Board of Directors did not adjust the exercise price of the stock options outstanding to reflect the 5% stock dividends (dollars in thousands, except per share amounts):

	Number of Options	Weighted Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding and exercisable at December 31, 2006 and June 30, 2007	490,632	\$ 8.04	6.2 years	\$ 530

The total intrinsic value of options exercised during the three and six months ended June 30, 2006 was \$14,250 and \$93,850, respectively and the tax benefit relating to the stock options exercised was \$5,000 and \$37,000, respectively.

(6) *Sale of Branch.* On February 1, 2007, the Company entered into a sale/leaseback transaction for its Galt Ocean Mile branch facility. No gain or loss was recognized on this transaction.

**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, 2007, and for the three- and six-month periods ended June 30, 2007 and 2006, 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.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**OptimumBank Holdings, Inc.**

**Fort Lauderdale, Florida:**

We have reviewed the accompanying condensed consolidated balance sheet of OptimumBank Holdings, Inc. and Subsidiary (the Company) as of June 30, 2007, and the condensed consolidated statements of earnings for the three- and six-month periods ended June 30, 2007 and 2006 and the related condensed consolidated statements of stockholders' equity and cash flows for the six-month periods ended June 30, 2007 and 2006. 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, 2006, 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 March 7, 2007, 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, 2006, 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 27, 2007



**OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY**

**Item 2. Management's Discussion and Analysis**  
**of Financial Condition and Results of Operations**

**Comparison of June 30, 2007 and December 31, 2006**

**Liquidity and Capital Resources**

The Company's primary sources of cash during the six months ended June 30, 2007 were from an increase in other borrowings of approximately \$21.0 million, principal repayments of securities held to maturity of approximately \$5.0 million, net loan repayments of approximately \$8.8 million and cash provided from operating activities of approximately \$1.7 million. Cash was used primarily for purchases of securities of approximately \$24.7 million, to fund deposit withdrawals of approximately \$7.6 million and repayment of Federal Home Loan Bank advances of approximately \$3.4 million. At June 30, 2007, the Company had time deposits of approximately \$70.2 million that mature in one year or less. At June 30, 2007, 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:

	<b>Six Months Ended June 30, 2007</b>	<b>Year Ended December 31, 2006</b>	<b>Six Months Ended June 30, 2006</b>
Average equity as a percentage of average assets	8.97 %	9.12 %	9.16 %
Equity to total assets at end of period	8.94 %	9.04 %	8.95 %
Return on average assets (1)	0.69 %	0.85 %	0.96 %
Return on average equity (1)	7.68 %	9.37 %	10.53 %
Noninterest expenses to average assets (1)	1.63 %	1.67 %	1.71 %

(1)

Annualized for the six months ended June 30, 2007 and 2006.



**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 condensed 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 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, 2007, follows (in thousands):

	<b>Contract Amount</b>
Commitments to extend credit	\$ 2,800
Undisbursed loans in process	\$ 250

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.





**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.

	<b>Three Months Ended June 31,</b>					
	<b>2007</b>			<b>2006</b>		
	<b>Average Balance</b>	<b>Interest and Dividends</b>	<b>Average Yield/ Rate</b>	<b>Average Balance</b>	<b>Interest and Dividends</b>	<b>Average Yield/ Rate</b>
	(\$ in thousands)					
Interest-earning assets:						
Loans	\$ 178,718	\$ 3,238	7.25 %	\$ 173,395	\$ 3,081	7.11 %
Securities	51,756	705	5.45	24,635	275	4.47
Other (1)	4,379	62	5.66	3,173	44	5.55
Total interest-earning assets/interest income	234,853	4,005	6.82	201,203	3,400	6.76
Cash and due from banks	239			277		
Premises and equipment	3,369			4,044		
Other	2,196			2,251		
Total assets	\$ 240,657			\$ 207,775		
Interest-bearing liabilities:						
Savings, NOW and money-market deposits	26,487	2967	4.47	8,580	42	1.96
Time deposits	96,768	1,148	4.75	108,842	1,160	4.26
Borrowings (2)	90,205	986	4.37	67,131	679	4.05
Total interest-bearing liabilities/ interest expense	213,460	2,430	4.55	184,553	1,881	4.08
Noninterest-bearing demand deposits	2,150			884		
Other liabilities	3,948			2,964		
Stockholders equity	21,099			19,374		
Total liabilities and stockholders equity	\$ 240,657			\$ 207,775		

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Net interest income	\$ 1,575		\$ 1,519
Interest-rate spread (3)		2.27 %	2.68 %
Net interest margin (4)		2.68 %	3.02 %
Ratio of average interest-earning assets to average interest-bearing liabilities	1.10		1.09

(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.

	<b>Six Months Ended June 30,</b>					
	<b>Average Balance</b>	<b>2007 Interest and Dividends</b>	<b>Average Yield/ Rate</b>	<b>Average Balance</b>	<b>2006 Interest and Dividends</b>	<b>Average Yield/ Rate</b>
	(\$ in thousands)					
Interest-earning assets:						
Loans	\$ 179,207	\$ 6,561	7.32 %	\$ 172,791	\$ 6,091	7.05 %
Securities	43,487	1,154	5.31	25,020	562	4.49
Other (1)	4,032	117	5.80	3,349	89	5.32
Total interest-earning assets/interest income	226,726	7,832	6.91	201,160	6,742	6.70
Cash and due from banks	313			313		
Premises and equipment	3,571			4,055		
Other	2,404			2,431		
Total assets	\$ 233,014			\$ 207,959		
Interest-bearing liabilities:						
Savings, NOW and money-market deposits	26,635	582	4.37	7,948	65	1.64
Time deposits	99,322	2,336	4.70	108,606	2,249	4.14
Borrowings (2)	81,019	1,752	4.32	68,692	1,386	4.04
Total interest-bearing liabilities/interest expense	206,976	4,670	4.51	185,246	3,700	4.00
Noninterest-bearing demand deposits	1,678			887		
Other liabilities	3,468			2,768		
Stockholders equity	20,892			19,058		
Total liabilities and stockholders equity	\$ 233,014			\$ 207,959		
Net interest income		\$ 3,162			\$ 3,042	
Interest-rate spread (3)			2.40 %			2.70 %

Net interest margin (4)		2.79 %	3.02 %
Ratio of average interest-earning assets to average interest-bearing liabilities	1.10	1.09	

(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**

**Comparison of the Three-Month Periods Ended June 30, 2007 and 2006**

**General.** Net earnings for the three months ended June 30, 2007, were \$387,000 or \$.13 per basic and diluted share compared to net earnings of \$486,000 or \$.16 per basic and diluted share for the period ended June 30, 2006. This decrease in the Company's net earnings was primarily due to an increase in noninterest expenses and the provision for loan losses.

**Interest Income.** Interest income increased to \$4.0 million for the three months ended June 30, 2007 from \$3.4 million for the three months ended June 30, 2006. Interest income on loans increased to \$3.2 million due primarily to an increase in the average loan portfolio balance and an increase in the average yield earned from 7.11% for the three months ended June 30, 2006 to 7.25% for the three months ended June 30, 2007. Interest on securities increased to \$705,000 due primarily to an increase in the average balance of the securities portfolio in 2007 and an increase in the average yield earned.

**Interest Expense.** Interest expense on deposits increased to \$1.4 million for the three months ended June 30, 2007, from \$1.2 million for the three months ended June 30, 2006. Interest expense increased primarily because of an increase in the average rate paid on deposits during 2007. Interest expense on borrowings increased to \$986,000 for the three months ended June 30, 2007 from \$679,000 for the three months ended June 30, 2006 due to an increase in the average balance of borrowings and an increase in the average rate paid on borrowings during 2007.

**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, 2007, increased to \$209,000, as compared to \$27,000 for the same period in 2006, primarily to reflect the impairment in value of a collateral dependent single-family residential construction loan, which was paid off in June 2007, through the sale of the underlying property. Charge-offs to the allowance for loan losses in the amount of \$586,000 in the three months ended June 30, 2007, relate to this loan. Management believes the balance in the allowance for loan losses of \$736,000 at June 30, 2007, is adequate.

**Noninterest Income.** Total noninterest income decreased to \$159,000 for the three months ended June 30, 2007, from \$180,000 for the three months ended June 30, 2006, primarily due to a non-recurring litigation settlement received in 2006, partially offset by an increase in loan prepayment fees in 2007.

**Noninterest Expenses.** Total noninterest expenses increased to \$905,000 for the three months ended June 30, 2007 from \$892,000 for the three months ended June 30, 2006, primarily due to the continued growth of the Company.

**Income Taxes.** Income taxes for the three months ended June 30, 2007, were \$233,000 (an effective rate of 37.6%) compared to income taxes of \$294,000 (an effective rate of 37.7%) for the three months ended June 30, 2006.



**OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY**

**Comparison of the Six-Month Periods Ended June 30, 2007 and 2006**

**General.** Net earnings for the six months ended June 30, 2007, were \$802,000 or \$.27 per basic and \$.26 per diluted share compared to net earnings of \$1,003,000 or \$.34 per basic and \$.32 per diluted share for the period ended June 30, 2006. This decrease in the Company's net earnings was primarily due to an increase in noninterest expenses and the provision for loan losses.

**Interest Income.** Interest income increased to \$7.8 million for the six months ended June 30, 2007 from \$6.7 million for the six months ended June 30, 2006. Interest income on loans increased to \$6.6 million due primarily to an increase in the average loan portfolio balance and an increase in the average yield earned from 7.05% for the six months ended June 30, 2006 to 7.32% for the six months ended June 30, 2007. Interest on securities increased to \$1.2 million due primarily to an increase in the average balance of the securities portfolio in 2007 and an increase in the average yield earned.

**Interest Expense.** Interest expense on deposits increased to \$2.9 million for the six months ended June 30, 2007, from \$2.3 million for the six months ended June 30, 2006. Interest expense increased primarily because of an increase in the average rate paid on deposits during 2007. Interest expense on borrowings increased to \$1.8 million for the six months ended June 30, 2007 from \$1.4 million for the six months ended June 30, 2006 due to an increase in the average balance of borrowings and an increase in the average rate paid on borrowings during 2007.

**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 increase in the provision for the six months ended June 30, 2007, to \$520,000, as compared to \$133,000 for the same period in 2006, was primarily due to the impairment in value of a collateral dependent single-family residential construction loan, which was identified as impaired in the first quarter of 2007 and paid off in June 2007, through the sale of the underlying property. Charge-offs in the allowance for loan losses in the amount of \$758,000 in the six months ended June 30, 2007, relate to this loan. Management believes the balance in the allowance for loan losses of \$736,000 at June 30, 2007, is adequate.

**Noninterest Income.** Total noninterest income decreased to \$393,000 for the six months ended June 30, 2007, from \$452,000 for the six months ended June 30, 2006, primarily due to gains recognized on the payoff of Federal Home Loan Bank advances in 2006, partially offset by increases in loan prepayment fees in 2007.

**Noninterest Expenses.** Total noninterest expenses was \$1.8 million for the six months ended June 30, 2007 and \$1.8 million for the six months ended June 30, 2006.

**Income Taxes.** Income taxes for the six months ended June 30, 2007, were \$435,000 (an effective rate of 35.2%) compared to income taxes of \$581,000 (an effective rate of 36.7%) for the six months ended June 30, 2006.





**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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**OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY**

**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 OptimumBank was held on April 27, 2007, to consider the election of directors each for a term of one year.

At the Annual Meeting, 2,189,837 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:

	<b>For</b>	<b>Withheld</b>
Albert J. Finch	2,188,312	1,525
Richard L. Browdy	2,167,312	22,525
Michael Bedzow	2,169,983	19,854
Sam Borek	2,189,337	500
Irving P. Cohen	2,168,337	21,500
Gordon Deckelbaum	2,189,337	500
H. David Krinsky	2,189,337	500
Wendy Mitchler	2,188,312	1,525
Larry R. Willis	2,189,337	500

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**OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY****PART II. OTHER INFORMATION****Item 6.****Exhibits**

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 ( SEC ) on March 30, 2004; (iii) a triple asterisk (\*\*\*) were previously filed as part of a current report on Form 8-K filed with the SEC on May 11, 2004; and (iv) a quadruple asterisk (\*\*\*\*) were previously filed as part of a Quarterly Report on Form 10-QSB filed with the SEC on August 12, 2004; (v) a quintuple asterisk (\*\*\*\*\*) were previously filed as part of an Annual Report on Form 10-KSB filed with the SEC on March 31, 2005; and (vi) a sextuple asterisk (\*\*\*\*\*) were previously filed as part of an Annual Report on Form 10-KSB filed with the SEC on March 31, 2006.

<b>Exhibit No.</b>	<b>Description</b>
**	2.1 Agreement and Plan of Reorganization between OptimumBank and OptimumBank Holdings, Inc. 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 Non-employee Directors Fee Compensation and Stock Purchase Plan
*	10.3 Agreement between OptimumBank, Albert J. Finch and Richard L. Browdy dated June 14, 2002
*****	14.1 Code of Ethics for Chief Executive Officer and Senior Financial Officers
	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 under §906 of the Sarbanes-Oxley Act of 2002
	32.2 Certification of Chief Financial Officer under §906 of the Sarbanes-Oxley Act of 2002

**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 14, 2007

By:

/s/ ALBERT J. FINCH

Albert J. Finch, Chief Executive  
Officer

Date: August 14, 2007

By:

/s/ RICHARD L. BROWDY

Richard L. Browdy, Chief Financial  
Officer