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OptimumBank Holdings, Inc.
Form 10QSB
May 10, 2006

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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 March 31, 2006

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
(State or other jurisdiction of
incorporation or organization)

55-0865043
(IRS Employer
Identification No.)

2477 EAST COMMERCIAL BOULEVARD, FORT LAUDERDALE, FL 33308
(Address of principal executive offices)

954-776-2332
(Issuer's telephone number)

10197 CLEARY BOULEVARD, PLANTATION, FL 33324
(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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

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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: 2,681,775 common shares issued and outstanding as of May 10, 2006

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

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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

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

	MARCH 31, ----- 2006 ----- (UNAUDITED)	DECEMBER 31, ----- 2005 -----
ASSETS		
Cash and due from banks	\$ 66	\$ 502
Federal funds sold	1,698	652
	-----	-----
Total cash and cash equivalents	1,764	1,154
Securities held to maturity (fair value approximates \$24,025 and \$25,096)	24,666	25,618
Security available for sale	238	243
Loans, net of allowance for loan losses of \$883 and \$777	173,644	170,226
Federal Home Loan Bank stock	2,754	2,712
Premises and equipment, net	4,039	4,074
Accrued interest receivable	965	1,030
Other assets	1,062	987
	-----	-----
Total assets	\$ 209,132	\$ 206,044
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing demand deposits	\$ 548	\$ 390
Savings, NOW and money-market deposits	8,263	7,050
Time deposits	107,778	106,624
	-----	-----
Total deposits	116,589	114,064
Federal Home Loan Bank advances	51,350	52,950
Other borrowings	12,950	12,950
Junior subordinated debenture	5,155	5,155
Other liabilities	1,728	922
Official checks	2,323	1,593
	-----	-----
Total liabilities	190,095	187,634
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value; 6,000,000 shares authorized, 2,678,775 and 2,663,775 shares issued and outstanding	27	27
Additional paid-in capital	14,257	14,141
Retained earnings	4,765	4,249
Accumulated other comprehensive loss	(12)	(7)
	-----	-----
Total stockholders' equity	19,037	18,410
	-----	-----
Total liabilities and stockholders' equity	\$ 209,132	\$ 206,044
	=====	=====

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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 MARCH 31,	
	2006	2005
Interest income:		
Loans	\$3,010	\$2,072
Securities	287	299
Other	45	45
	3,342	2,416
Interest expense:		
Deposits	1,113	781
Borrowings	707	416
	1,820	1,197
Net interest income	1,522	1,219
Provision for loan losses	106	33
Net interest income after provision for loan losses	1,416	1,186
Noninterest income:		
Service charges and fees	23	48
Loan prepayment fees	67	187
Gain on early extinguishment of debt	178	--
Other	4	23
	272	258
Noninterest expenses:		
Salaries and employee benefits	491	473
Occupancy and equipment	159	141
Data processing	41	51
Professional fees	66	42
Insurance	19	16
Stationary and supplies	11	10
Other	98	94
	885	827
Earnings before income taxes	803	617
Income taxes	287	233
Net earnings	\$ 516	\$ 384

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Net earnings per share:			
Basic	\$.18	\$.14	
	=====	=====	
Diluted	\$.18	\$.13	
	=====	=====	
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
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(DOLLARS IN THOUSANDS)

	COMMON SHARES	STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE- HENSIVE LOSS
	-----	-----	-----	-----	-----
Balance at December 31, 2004	2,650,102	\$ 27	14,051	2,648	(3)
Comprehensive income:					
Net earnings for the three months ended March 31, 2005 (unaudited)	--	--	--	384	--
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--	(3)
Comprehensive income (unaudited)	--	--	--	--	--
Proceeds from exercise of common stock options (unaudited)	7,400	--	39	--	--
Balance at March 31, 2005 (unaudited)	2,657,502	\$ 27	14,090	3,032	(6)
Balance at December 31, 2005	2,663,775	27	14,141	4,249	(7)
Comprehensive income:					
Net earnings for the three months ended March 31, 2006 (unaudited)	--	--	--	516	--
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--	(5)

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Comprehensive income (unaudited)	--	--	--	--	--
Proceeds from exercise of common stock options, including tax benefit of \$32 (unaudited)	15,000	--	116	--	--
Balance at March 31, 2006 (unaudited)	2,678,775	\$ 27	14,257	4,765	(12)

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)

	THREE MONTHS END MARCH 31,	
	2006	2005
Cash flows from operating activities:		
Net earnings	\$ 516	\$ 38
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	56	6
Provision for loan losses	106	3
Gain on early extinguishment of debt	(178)	--
Net amortization of fees, premiums and discounts	85	2
Repayments of loans held for sale	--	--
Decrease (increase) in accrued interest receivable	65	(1)
(Increase) decrease in other assets	(75)	11
Increase in official checks and other liabilities	1,568	52
Net cash provided by operating activities	2,143	1,12
Cash flows from investing activities:		
Purchases of securities held to maturity	--	(7,84)
Principal repayments of securities held to maturity	954	1,18
Net increase in loans	(3,611)	(1,57)
Purchase of premises and equipment	(21)	(8)
Purchase of Federal Home Loan Bank stock	(42)	(21)
Net cash used in investing activities	(2,720)	(8,51)
Cash flows from financing activities:		
Net increase in deposits	2,525	1,34
Proceeds from exercise of common stock options	84	3
Net (decrease) increase in Federal Home Loan Bank advances	(1,422)	3,40
Net cash provided by financing activities	1,187	4,77

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Net increase (decrease) in cash and cash equivalents	610	(2,61
Cash and cash equivalents at beginning of the period	1,154	3,22
	-----	-----
Cash and cash equivalents at end of the period	\$ 1,764	\$ 61
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,869	\$ 1,37
	=====	=====
Income taxes	\$ 68	\$ 22
	=====	=====
Noncash transactions:		
Change in accumulated other comprehensive loss, net		
change in unrealized loss on security available for sale	\$ (5)	\$ (
	=====	=====
Tax benefit from stock options exercised	\$ 32	\$ -
	=====	=====

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 March 31, 2006, and the results of operations and cash flows for the three-month periods ended March 31, 2006 and 2005. The results of operations for the three months ended March 31, 2006, 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 MARCH 31,	
	2006	2005
	-----	-----
Balance at beginning of period	\$ 777	\$ 628
Provision for loan losses	106	33
	-----	-----
Balance at end of period	\$ 883	\$ 661

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There were no impaired loans at March 31, 2006 or December 31, 2005. The average net investment in impaired loans and interest income recognized and received on impaired loans is as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2006	2005
Average net investment in impaired loans	\$ --	\$ 3,268
Interest income recognized on impaired loans	\$ --	\$ --
Interest income received on impaired loans	\$ --	\$ --

(continued)

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

- (3) REGULATORY CAPITAL. The Company and the Bank are required to maintain certain minimum regulatory capital requirements. The following is a summary at March 31, 2006 of the regulatory capital requirements of the Bank's capital on a percentage basis:

	BANK	REGULATORY REQUIREMENT
Tier I capital to total average assets	11.37%	4.00%
Tier I capital to risk-weighted assets	15.69%	4.00%
Total capital to risk-weighted assets	16.28%	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 dividend declared in April, 2006. Earnings per common share have been computed based on the following:

	THREE MONTHS ENDED MARCH 31,	
	2006	2005
Weighted average number of common shares outstanding used to calculate basic earnings per common share	2,800,901	2,786,492
Effect of dilutive stock options	119,906	108,791

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Weighted average number of common shares outstanding used to calculate diluted earnings per common share	2,920,807 =====	2,895,283 =====
		(continued)

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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 plans were accounted for under the recognition and measurement provisions of APB Opinion No. 25 (Opinion 25), Accounting for Stock Issued to Employees, and related Interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation (as amended by 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 plans 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 123R), using the modified-prospective-transition method. Under that transition method, compensation cost recognized 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 during the period ending March 31, 2006; therefore, no stock-based compensation has been recognized in 2006.

The Company established an Incentive Stock Option Plan (the "Plan") for officers, directors and employees of the Company and reserved 548,100 (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's board of directors authorized the immediate vesting of all stock options outstanding as of December 29, 2005 in order to reduce noncash compensation expense that would have been recorded in its consolidated statements of earnings in future years upon adoption of SFAS No. 123R in January 2006. The options must be exercised within ten years from the date of grant. At March 31, 2006, no options were available for grant.

A summary of the activity in the Company's stock option plan is as follows. All amounts reflect the 5% stock dividend declared in April of 2006 (dollars in thousands, except per share amounts):

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	NUMBER OF SHARES	RANGE OF PER SHARE OPTION PRICE	WEIGHTED- AVERAGE EXERCISE PRICE
	-----	-----	-----
Outstanding at December 31, 2005	498,540	\$ 4.76-11.90	\$ 7.60
Exercised	(15,750)	4.76-6.43	5.31
Forfeited	(5,250)	9.52	9.52
	-----	-----	-----
Outstanding at March 31, 2006	477,540	\$ 4.76-11.90	\$ 7.66

(continued)

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED

- (5) STOCK-BASED COMPENSATION, CONTINUED. The following table illustrates the effect on net earnings and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to options granted under the Company's stock option plan for the three months ended March 31, 2005. For purposes of this pro forma disclosure, the value of the options is estimated using the Black-Scholes option-pricing model and is being amortized to expense over the options' vesting periods. All amounts reflect the 5% stock dividend declared in April, 2006 (in thousands, except per share data).

	THREE MONTHS ENDED MARCH 31, 2005
Net earnings, as reported	\$ 384
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(44)

Proforma net earnings	\$ 340
	=====
Basic earnings per share:	
As reported	\$.14
	=====
Proforma	\$.12
	=====
Diluted earnings per share:	
As reported	\$.13
	=====
Proforma	\$.12
	=====

- (6) COMMON STOCK DIVIDEND. On April 27, 2006, the Company's board of directors declared a 5% stock dividend to shareholders of record on May 11, 2006, to be paid on June 11, 2006.

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 March 31, 2006, and for the three-month periods ended March 31, 2006 and 2005, 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 March 31, 2006, and the condensed consolidated statements of earnings, stockholders' equity and cash flows for the three-month periods ended March 31, 2006 and 2005. 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

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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, 2005, 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 10, 2006, 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, 2005, 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
April 19, 2006

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

COMPARISON OF MARCH 31, 2006 AND DECEMBER 31, 2005

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash during the three months ended March 31, 2006 were from net deposit inflows of approximately \$2.5 million, principal repayments of securities held to maturity of approximately \$1.0 million and cash provided from operating activities of approximately \$2.3 million. Cash was used primarily for net loan originations of approximately \$3.6 million and net repayment of Federal Home Loan Bank advances of approximately \$1.6 million. At March 31, 2006, the Company had time deposits of approximately \$62.8 million that mature in one year or less. At March 31, 2006, 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

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the dates indicated:

	ENDED MARCH 31, 2006 -----	THREE MONTHS YEAR ENDED DECEMBER 31, 2005 -----	THREE MONTHS ENDED MARCH 31, 2005 -----
Average equity as a percentage of average assets	9.00%	9.48%	10.24%
Equity to total assets at end of period	9.09%	8.93%	10.07%
Return on average assets (1)	.99%	.86%	.92%
Return on average equity (1)	11.01%	9.03%	9.03%
Noninterest expenses to average assets (1)	1.70%	1.82%	1.99%
Nonperforming loans to total assets at end of period	--%	--%	1.92%

(1) Annualized for the three months ended March 31, 2006 and 2005.

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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 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.

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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 March 31, 2006, follows (in thousands):

	CONTRACT AMOUNT

Commitments to extend credit	\$ 14,286
	=====
Undisbursed loans in process	\$ 585
	=====

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.

	THREE MONTHS ENDED MARCH			

	2006			
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE
	-----	-----	-----	-----
Interest-earning assets:				
Loans	\$ 172,186	\$ 3,010	6.99%	\$ 125,94
Securities	25,404	287	4.52	27,15
Other (1)	3,524	45	5.11	6,22
	-----	-----		-----
Total interest-earning assets/interest income	201,114	3,342	6.65	159,32

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Cash and due from banks	349	--	--	9
Premises and equipment	4,066			4,12
Other	2,614	--	--	2,52
	-----			-----
Total assets	\$ 208,143	--	--	\$ 166,07
	=====			=====
Interest-bearing liabilities:				
Savings, NOW and money-market deposits	7,316	23	1.26	8,01
Time deposits	108,370	1,090	4.02	89,92
Borrowings (2)	70,252	707	4.03	47,95
	-----	-----		-----
Total interest-bearing liabilities/interest expense	185,938	1,820	3.92	145,89
Noninterest-bearing demand deposits	889	--	--	1,08
Other liabilities	2,575	--	--	2,07
Stockholders' equity	18,741	--	--	17,01
	-----			-----
Total liabilities and stockholders' equity	\$ 208,143	--	--	\$ 166,07
	=====			=====
Net interest income	--	\$ 1,522	--	-
		=====		
Interest rate spread (3)	--	--	2.73%	-
			=====	
Net interest margin (4)	--	--	3.03%	-
			=====	
Ratio of average interest-earning assets to average interest-bearing liabilities	1.08	--	--	1.0
	=====			=====

- (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 an agreement to repurchase and junior subordinated debenture.
- (3) Interest rate spread represents the difference between 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 MARCH 31, 2006 AND 2005

GENERAL. Net earnings for the three months ended March 31, 2006, were \$516,000 or \$.18 per basic and diluted share compared to net earnings of \$384,000 or \$.14 per basic and \$.13 per diluted share for the period ended March 31, 2005. The increase in the Company's net earnings was primarily due to an increase in net interest income.

INTEREST INCOME. Interest income increased to \$3.3 million for the three months ended March 31, 2006 from \$2.4 million for the three months ended March 31, 2005. Interest income on loans increased to \$3.0 million due primarily to an increase in the average loan portfolio balance for the

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three months ended March 31, 2006, and an increase in the average yield earned from 6.58% for the three months ended March 31, 2005 to 6.99% for the three months ended March 31, 2006.

INTEREST EXPENSE. Interest expense on deposit accounts increased to \$1.1 million for the three months ended March 31, 2006, from \$781,000 for the three months ended March 31, 2005. Interest expense increased primarily because of an increase in the average rate paid on deposits and an increase in the average balance of deposits during 2006. Interest expense on borrowings increased to \$707,000 for the three months ended March 31, 2006 from \$416,000 for the three months ended March 31, 2005 due to an increase in the average rate paid on borrowings and 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 three months ended March 31, 2006, was \$106,000 compared to \$33,000 for the same period in 2005. Management believes the balance in the allowance for loan losses of \$883,000 at March 31, 2006, is adequate.

NONINTEREST INCOME. Total noninterest income increased to \$272,000 for the three months ended March 31, 2006, from \$258,000 for the three months ended March 31, 2005 primarily due to a gain recognized on the payoff of Federal Home Loan Bank advances of \$178,000, partially offset by a decrease in loan prepayment fees of \$120,000.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$885,000 for the three months ended March 31, 2006 from \$827,000 for the three months ended March 31, 2005, primarily due to an increase in salaries and employee benefits of \$18,000, an increase in occupancy and equipment of \$18,000, and an increase in professional fees of \$24,000 all due to the continued growth of the Company.

INCOME TAXES. Income taxes for the three months ended March 31, 2006, were \$287,000 (an effective rate of 35.7%) compared to income taxes of \$233,000 (an effective rate of 37.8%) for the three months ended March 31, 2005.

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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

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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 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.

EXHIBIT NO.	DESCRIPTION
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** 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 ss.906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer under ss.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: May 10, 2006

By: /s/ Albert J. Finch

Albert J. Finch, Chief Executive Officer

Date: May 10, 2006

By: /s/ Richard L. Browdy

Richard L. Browdy, Chief Financial Officer