OptimumBank Holdings, Inc.
Form 10-Q
November 14, 2013

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

Form 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to _________

Commission File Number: 000-50755

OPTIMUMBANK HOLDINGS, INC.

(Exact name of registrant 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

(Registrant's telephone number, including area code)

N/A

(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 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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 7,982,194 shares of Common Stock, $.01 par value, issued and outstanding as of November 13, 2013

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
(Dollars in thousands, except per share amounts)

Assets	September 30, 2013 (Unaudited)	December 31, 2012
Cash and due from banks	$ 5,312	$ 4,541
Interest-bearing deposits with banks	3,879	19,070
Total cash and cash equivalents	9,191	23,611
Securities available for sale	23,718	18,648
Loans, net of allowance for loan losses of $2,924 and $2,459	82,090	85,209
Federal Home Loan Bank stock	1,082	1,478
Premises and equipment, net	2,913	2,906
Foreclosed real estate, net	7,834	10,938
Accrued interest receivable	513	499
Other assets	477	454
Total assets	$ 127,818	$ 143,743
Liabilities and Stockholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	2,854	4,626
Savings, NOW and money-market deposits	32,692	34,153
Time deposits	61,747	62,832
Total deposits	97,293	101,611
Federal Home Loan Bank advances	20,200	27,700
Junior subordinated debenture	5,155	5,155
Advanced payment by borrowers for taxes and insurance	968	461
Official checks	563	581
Other liabilities	1,499	1,325
Total liabilities	125,678	136,833
Stockholders' equity:		

Preferred stock, no par value; 6,000,000 shares authorized, no shares issued or outstanding	0	0
Common stock, $.01 par value; 50,000,000 shares authorized 7,982,194 and 31,511,201 shares issued and outstanding	80	315
Additional paid-in capital	31,427	31,057
Accumulated deficit	(29,429)	(24,688)
Accumulated other comprehensive income	62	226
Total stockholders' equity	2,140	6,910
Total liabilities and stockholders' equity	$ 127,818	$ 143,743

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Interest income:				
Loans	$1,074	$1,025	$3,235	$3,002
Securities	196	245	571	819
Other	16	22	48	60
Total interest income	1,286	1,292	3,854	3,881
Interest expense:				
Deposits	201	272	649	848
Borrowings	231	359	876	1,136
Total interest expense	432	631	1,525	1,984
Net interest income	854	661	2,329	1,897
Provision for loan losses	0	197	2,194	378
Net interest income after provision for loan losses	854	464	135	1,519
Noninterest income:				
Service charges and fees	25	9	80	19
Loss on sale of securities	(20)	0	(20)	0
Other	1	1	22	179
Total noninterest income	6	10	82	198
Noninterest expenses:				
Salaries and employee benefits	497	465	1,556	1,301
Occupancy and equipment	135	133	400	376
Data processing	76	47	227	161
Professional fees	197	283	746	810
Insurance	79	68	237	208
Foreclosed real estate	13	192	989	329
Regulatory assessment	84	92	254	215
Other	95	118	187	490
Total noninterest expenses	1,176	1,398	4,596	3,890

Other-than-temporary impairment on securities:				
Total other-than-temporary impairment losses	9	101	362	204
Portion of losses recognized in other comprehensive income	0	0	0	0
Net impairment loss	9	101	362	204
Net loss	$(325)	$(1,025)	$(4,741)	$(2,377)
Net loss per share:				
Basic	$(.05)	$(.14)	$(.60)	$(.36)
Diluted	$(.05)	$(.14)	$(.60)	$(.36)
Dividends per share	$0	$0	$0	$0

See Accompanying Notes to Condensed Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Loss (Unaudited)
(In thousands)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net loss	$(325)	$(1,025)	$(4,741)	$(2,377)
Other comprehensive loss-Unrealized (loss) gains on securities available for sale- Net unrealized holding (losses) gains arising during period	(45)	603	(164)	1,041
Comprehensive loss	$(370)	$(422)	$(4,905)	$(1,336)

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity

Nine Months Ended September 30, 2013 and 2012
(Dollars in thousands)

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Compre-hensive Loss	Total Stockholders' Equity
Balance at December 31, 2011	22,411,108	$224	27,491	(19,991)	(938)	6,786
Proceeds from sale of common stock (unaudited)	8,447,500	85	3,290	0	0	3,375
Common stock issued as compensation to directors (unaudited)	42,225	0	42	0	0	42
Net loss for the nine months ended September 30, 2012 (unaudited)	0	0	0	(2,377)	0	(2,377)
Net change in unrealized loss on securities available for sale (unaudited)	0	0	0	0	1,041	1,041
Balance at September 30, 2012 (unaudited)	30,900,833	$309	30,823	(22,368)	103	8,867
Balance at December 31, 2012	31,511,201	$315	31,057	(24,688)	226	6,910
Reverse one-for-four common share split (unaudited)	(23,646,314)	(236)	236	0	0	0
Proceeds from sale of common stock (unaudited)	83,333	1	99	0	0	100
Common stock issued as compensation to directors (unaudited)	33,974	0	35	0	0	35
	0	0	0	(4,741)	0	(4,741)

Net loss for the nine months ended September 30, 2013 (unaudited)						
Net change in unrealized loss on securities available for sale (unaudited)	0	0	0	0	(164)	(164)
Balance at September 30, 2013 (unaudited)	7,982,194	$80	31,427	(29,429)	62	2,140

See Accompanying Notes to Condensed Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Nine Months Ended September 30, 2013	2012
Cash flows from operating activities:		
Net loss	$(4,741)	$(2,377)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	149	87
Provision for loan losses	2,194	378
Loss on sale of securities	20	0
Common stock issued as compensation to directors	35	42
Net amortization of fees, premiums and discounts	40	0
(Increase) decrease in other assets	(23)	247
Loss on sale of foreclosed real estate	135	28
Provision for losses on real estate owned	724	0
Write-down of foreclosed real estate	0	70
(Increase) decrease in accrued interest receivable	(14)	22
Increase (decrease) in official checks and other liabilities	156	(652)
Other-than-temporary impairment of securities available for sale	362	204
Net cash used in operating activities	(963)	(1,951)
Cash flows from investing activities:		
Principal repayments and maturity of securities available for sale	6,618	8,156
Proceeds from sale of security available for sale	1,965	0
Purchase of securities available for sale	(14,239)	0
Net decrease in loans	228	232
Purchase of premises and equipment	(156)	(255)
Proceeds from sale of foreclosed real estate	2,942	317
Capital improvements on foreclosed real estate	0	(57)
Redemption of Federal Home Loan Bank stock	396	681
Net cash (used in) provided by investing activities	(2,246)	9,074
Cash flows from financing activities:		
Net decrease in deposits	(4,318)	(2,369)
Increase in advance payments by borrowers for taxes and insurance	507	462
Repayment of Federal Home Loan Bank advances	(7,500)	(4,000)
Proceeds from sale of common stock	100	3,375
Net cash used in financing activities	(11,211)	(2,532)
Net (decrease) increase in cash and cash equivalents	(14,420)	4,591

Cash and cash equivalents at beginning of the period	23,611	22,776
Cash and cash equivalents at end of the period	$9,191	$27,367

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited), Continued
(In thousands)

	Nine Months Ended September 30, 2013	2012
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$1,483	$1,898
Income taxes	$0	$0
Noncash investing and financing activities:		
Change in accumulated other comprehensive loss, net change in unrealized loss on securities available for sale	$(164)	$1,041
Loans transferred to foreclosed real estate	$697	$3,156

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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 Florida chartered commercial bank. The Bank's wholly-owned subsidiaries are OB Real Estate Management, LLC, OB Real Estate Holdings, LLC and OB Real Estate Holding 1503, LLC, all of which were formed in 2009, OB Real Estate Holdings 1695, OB Real Estate Holdings 1669, OB Real Estate Holdings 1645, OB Real Estate Holdings 1620 and OB Real Estate Holdings 1565, all formed in 2010; OB Real Estate Holdings 1443 and OB Real Estate Holdings Northwood, OB Real Estate Holdings 1596, OB Real Estate Holdings 1636 formed in 2011; and OB Real Estate Holdings 1655, OB Real Estate Holdings 1692, OB Real Estate Holdings 1704, OB Real Estate Holdings Rosemary and OB Real Estate Holdings Sillato formed in 2012 (the "Real Estate Holding Subsidiaries"). The Holding Company's only business is the operation of the Bank and its subsidiaries (collectively, the "Company"). The Bank's deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). The Bank offers a variety of commercial banking services to individual and corporate customers through its three banking offices located in Broward County, Florida. OB Real Estate Management, LLC is primarily engaged in managing foreclosed real estate. This subsidiary had no activity in 2013 and 2012. All other subsidiaries are primarily engaged in holding and disposing of foreclosed real estate.

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, 2013, and the results of operations for the three- and nine-month periods ended September 30, 2013 and 2012, and cash flows for the nine-months periods ended September 30, 2013 and 2012. The results of operations for the three- and nine-months ended September 30, 2013, are not necessarily indicative of the results to be expected for the full year.

Comprehensive Loss. Generally accepted accounting principles generally require that recognized revenue, expenses, gains and losses be included in net loss. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items along with net loss, are components of comprehensive loss. The only component of other comprehensive loss is the net change in the unrealized gain on the securities available for sale.

Income Taxes. During the year ended December 31, 2009, the Company assessed its earnings history and trend over the past year and its estimate of future earnings, and determined that it is more likely than not that the deferred tax asset will not be realized in the near term. Accordingly, a valuation allowance was recorded against the net deferred tax asset for the amount not expected to be realized in the future. Based on the available evidence at September 30, 2013, the Company determined that it is still more likely than not that the deferred tax asset will not be realized in the near term.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(1) General, Continued.

Recent Accounting Standards Update. In July 2012, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment," which, among other things, gives an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that an indefinite-lived intangible asset is impaired. The Company adopted this ASU on January 1, 2013, and since the Company does not have intangible assets, it had no impact on its consolidated financial statements.

In January 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," which limits the scope of the new balance sheet offsetting disclosures in ASU 2011-11 to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement. The Company adopted this ASU on February 1, 2013 and it had no impact on its consolidated financial statements.

In February 2013, the FASB Issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires entities to present information about reclassification adjustments from accumulated other comprehensive income in their annual financial statements in a single note or on the face of the financial statements. The Company adopted this ASU on March 1, 2013 and it had no impact on its consolidated financial statements.

In February 2013, the FASB Issued ASU No. 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date." ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for obligations within the scope of this ASU, which is effective January 1, 2014. Upon adoption, the Company does not expect this ASU to impact its consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which among other things, require an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as denoted within the ASU. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating the impact on its consolidated financial statements with respect to ASU 2013-11.

In July 2013, the FASB issued ASU No. 2013-10, "Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." ASU No. 2013-10 permits the use of the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge account purposes. The amendment is effective prospectively for qualifying new or redesiginated hedging relationships entered into on or after July 17, 2013. The adoption of ASU No. 2013-10 did not have an impact on the Company's consolidated financial statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(1) General, Continued.

Recent Regulatory Developments

Basel III Legislation. On July 2, 2013, the Federal Reserve Board ("FRB") approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. Under the final rules, minimum requirements will increase for both the quantity and quality of capital held by the Bank. The rules include a new common equity Tier I capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The final rules also raise the minimum ratio of Tier I capital to risk-weighted assets from 4.0% to 6.0% and require a minimum leverage ratio of 4.0%. The final rules also implement strict eligibility criteria for regulatory capital instruments. On July 9, 2013, the Federal Deposit Insurance Corporation ("FDIC") also approved, as an interim final rule, the regulatory capital requirements for U.S. banks, following the actions of the FRB. The FDIC's rule is identical in substance to the final rules issued by the FRB.

The phase-in period for the final rules will begin for the Company on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule. The Company is currently evaluating the provisions of the final rules and their expected impact on the Company.

(2) Securities. Securities have been classified according to management's intent. The carrying amount of securities and approximate fair values are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At September 30, 2013:				
Securities Available for Sale-				
Mortgage-backed securities	$ 23,656	$ 286	$ (224)	$ 23,718
At December 31, 2012:				
Securities Available for Sale-				
Mortgage-backed securities	$ 18,422	$ 305	$ (79)	$ 18,648

Securities with gross unrealized losses at September 30, 2013, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows (in thousands):

	Less Than Twelve Months	
	Gross Unrealized Losses	Fair Value
Securities Available for Sale-		
Mortgage-backed securities	$(224)	$ 10,501

The unrealized losses on investment securities were caused by market conditions. It is expected that the securities would not be settled at a price less than the book value of the investments. Because the decline in fair value is attributable to market conditions and not credit quality, and because the Company has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(2) Securities, Continued. Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. A security is impaired if the fair value is less than its carrying value at the financial statement date. When a security is impaired, the Company determines whether this impairment is temporary or other-than-temporary. In estimating other-than-temporary impairment ("OTTI") losses, management assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in operations. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in operations is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive loss. Management utilizes cash flow models to segregate impairments to distinguish between impairment related to credit losses and impairment related to other factors. To assess for OTTI, management considers, among other things, (i) the severity and duration of the impairment; (ii) the ratings of the security; (iii) the overall transaction structure (the Company's position within the structure, the aggregate, near-term financial performance of the underlying collateral, delinquencies, defaults, loss severities, recoveries, prepayments, cumulative loss projections, and discounted cash flows; and (iv) the timing and magnitude of a break in modeled cash flows.

In evaluating mortgage-backed securities with unrealized losses, management utilizes various resources, including input from independent third party firms to perform an analysis of expected future cash flows. The process begins with an assessment of the underlying collateral backing the mortgage pools. Management develops specific assumptions using as much market data as possible and includes internal estimates as well as estimates published by rating agencies and other third-party sources. The data for the individual borrowers in the underlying mortgage pools are generally segregated by state, FICO score at issue, loan to value at issue and income documentation criteria. Mortgage pools are evaluated for current and expected levels of delinquencies and foreclosures, based on where they fall in the proscribed data set of FICO score, geographics, LTV and documentation type and a level of loss severity is assigned to each security based on its experience. The above-described historical data is used to develop current and expected measures of cumulative default rates as well as ultimate loss frequency and severity within the underlying mortgages. This reveals the expected future cash flows within the mortgage pool. The data described above is then input to an industry recognized model to assess the behavior of the particular security tranche owned by the Company. Significant inputs in this process include the structure of any subordination structures, if applicable, and are dictated by the structure of each particular security as laid out in the offering documents. The forecasted cash flows from the mortgage pools are input through the security structuring model to derive expected cash flows for the specific security owned by the Company to determine if the future cash flows are expected to exceed the book value of the security. The values for the significant inputs are updated on a regular basis. During the three and nine months ended September 30, 2013, the Company recorded other-than-temporary impairment charges totaling $9,000 and $362,000, respectively. During the three and nine month periods ended September 30, 2012, the Company recorded other-than-temporary impairment charges totaling $101,000 and $204,000, respectively.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(3) Loans. The segments of loans are as follows (in thousands):

	At September 30, 2013	At December 31, 2012
Residential real estate	$ 26,624	$ 30,064
Multi-family real estate	3,818	3,916
Commercial real estate	37,544	39,126
Land and construction	6,301	7,276
Commercial	10,247	7,158
Consumer	81	70
Total loans	84,615	87,610
Add (deduct):		
Net deferred loan fees, costs and premiums	399	58
Allowance for loan losses	(2,924)	(2,459)
Loans, net	$ 82,090	$ 85,209

An analysis of the change in the allowance for loan losses follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Unallocated	Total
Three Months Ended September 30, 2013:								
Beginning balance	$ 342	$ 16	$ 1,910	$ 40	$ 279	$ 0	$ 0	$ 2,587
Provision (credit) for loan losses	(210)	0	(143)	(250)	(21)	(3)	627	0
Charge-offs	0	0	0	0	0	0	0	0
Recoveries	0	0	107	227	0	3	0	337
Ending balance	$ 132	$ 16	$ 1,874	$ 17	$ 258	$ 0	$ 627	$ 2,924
Nine Months Ended September 30, 2013:								
Beginning balance	$ 434	$ 267	$ 1,372	$ 166	$ 216	$ 4	$ 0	$ 2,459
Provision (credit) for loan losses	(205)	(251)	2,442	(448)	42	(13)	627	2,194
Charge-offs	(97)	0	(2,147)	0	0	0	0	(2,244)
Recoveries	0	0	207	299	0	9	0	515

Ending balance	$ 132	$ 16	$ 1,874	$ 17	$ 258	$ 0	$ 627	$ 2,924

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(3) Loans, Continued.

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Total
Three Months Ended September 30, 2012:							
Beginning balance	$ 703	$ 245	$ 799	$ 215	$ 115	$ 25	$ 2,102
Provision (credit) for loan losses	(231)	15	364	37	12	0	197
Charge-offs	0	(1)	(346)	(54)	0	0	(401)
Recoveries	17	0	0	17	0	4	38
Ending balance	$ 489	$ 259	$ 817	$ 215	$ 127	$ 29	$ 1,936
Nine Months Ended September 30, 2012:							
Beginning balance	$ 549	$ 247	$ 1,190	$ 187	$ 161	$ 15	$ 2,349
Provision (credit) for loan losses	70	12	154	170	(33)	5	378
Charge-offs	(146)	0	(557)	(388)	(1)	0	(1,092)
Recoveries	16	0	30	246	0	9	301
Ending balance	$ 489	$ 259	$ 817	$ 215	$ 127	$ 29	$ 1,936

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Unallocated	Total
At September 30, 2013:								
Individually evaluated for impairment:								
Recorded investment	$ 7,002	$ 0	$ 12,595	$ 0	$ 0	$ 0	$ 0	$ 19,597
Balance in allowance for loan losses	$ 0	$ 0	$ 809	$ 0	$ 0	$ 0	$ 0	$ 809
Collectively evaluated for impairment:								
	$ 19,622	$ 3,818	$ 24,949	$ 6,301	$ 10,247	$ 81	$ 0	$ 65,018

Recorded investment								
Balance in allowance for loan losses	$ 132	$ 16	$ 1,065	$ 17	$ 258	$ 0	$ 627	$ 2,115
At December 31, 2012:								
Individually evaluated for impairment:								
Recorded investment	$ 7,573	$ 0	$ 11,535	$ 886	$ 0	$ 0	$ 0	$ 19,994
Balance in allowance for loan losses	$ 0	$ 0	$ 366	$ 0	$ 0	$ 0	$ 0	$ 366
Collectively evaluated for impairment:								
Recorded investment	$ 22,491	$ 3,916	$ 27,591	$ 6,390	$ 7,158	$ 70	$ 0	$ 67,616
Balance in allowance for loan losses	$ 434	$ 267	$ 1,006	$ 166	$ 216	$ 4	$ 0	$ 2,093

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(3) Loans, Continued. The Company has divided the loan portfolio into six portfolio segments, each with different risk characteristics and methodologies for assessing risk. The portfolio segments identified by the Company are as follows:

Residential Real Estate, Multi-Family Real Estate, Commercial Real Estate, Land and Construction. Residential real estate loans are underwritten in accordance with policies set forth and approved by the Board of Directors (the "Board"), including repayment capacity and source, value of the underlying property, credit history and stability. Multi-family real estate and commercial real estate loans are secured by the subject property and are underwritten based upon standards set forth in the policies approved by the Company's Board. Such standards include, among other factors, loan to value limits, cash flow coverage and general creditworthiness of the obligors. Land and construction loans to borrowers are to finance the construction of owner occupied and leased properties. These loans are categorized as construction loans during the construction period, later converting to commercial or residential real estate loans after the construction is complete and amortization of the loan begins. Real estate development and construction loans are approved based on an analysis of the borrower and guarantor, the viability of the project and on an acceptable percentage of the appraised value of the property securing the loan. Real estate development and construction loan funds are disbursed periodically based on the percentage of construction completed. The Company carefully monitors these loans with on-site inspections and requires the receipt of lien waivers on funds advanced. Development and construction loans are typically secured by the properties under development or construction, and personal guarantees are typically obtained. Further, to assure that reliance is not placed solely on the value of the underlying property, the Company considers the market conditions and feasibility of proposed projects, the financial condition and reputation of the borrower and guarantors, the amount of the borrower's equity in the project, independent appraisals, costs estimates and pre-construction sale information. The Company also makes loans on occasion for the purchase of land for future development by the borrower. Land loans are extended for the future development for either commercial or residential use by the borrower. The Company carefully analyzes the intended use of the property and the viability thereof.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(3) Loans, Continued.

Commercial Loans. Commercial loans are primarily underwritten on the basis of the borrowers' ability to service such debt from income. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. As a general practice, the Company takes as collateral a security interest in any available real estate, equipment, or other chattel, although loans may also be made on an unsecured basis. Collateralized working capital loans typically are secured by short-term assets whereas long-term loans are primarily secured by long-term assets. These loans are also affected by adverse economic conditions should they prevail within the Company's local market.

Consumer Loans. Consumer loans are extended for various purposes, including purchases of automobiles, recreational vehicles, and boats. Also offered are home improvement loans, lines of credit, personal loans, and deposit account collateralized loans. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Loans to consumers are extended after a credit evaluation, including the creditworthiness of the borrower(s), the purpose of the credit, and the secondary source of repayment. Consumer loans are made at fixed and variable interest rates and may be made on terms of up to ten years. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The following summarizes the loan credit quality (in thousands):

	Pass	OLEM (Other Loans Especially Mentioned)	Substandard	Doubtful	Loss	Total
At September 30, 2013:						
Residential real estate	$ 18,324	$ 1,298	$ 7,002	$ 0	$ 0	$ 26,624
Multi-family real estate	3,818	0	0	0	0	3,818
Commercial real estate	22,477	1,368	13,699	0	0	37,544
Land and construction	4,330	1,971	0	0	0	6,301
Commercial	9,636	547	64	0	0	10,247
Consumer	81	0	0	0	0	81
Total	$ 58,666	$ 5,184	$ 20,765	$ 0	$ 0	$ 84,615
At December 31, 2012:						
Residential real estate	$ 22,491	$ 0	$ 7,573	$ 0	$ 0	$ 30,064
Multi-family real estate	3,916	0	0	0	0	3,916
Commercial real estate	24,967	2,624	11,535	0	0	39,126
Land and construction	4,402	1,987	887	0	0	7,276
Commercial	7,092	66	0	0	0	7,158
Consumer	70	0	0	0	0	70

Total	$ 62,938	$ 4,677	$ 19,995	$ 0	$ 0	$ 87,610

(continued)

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(3) Loans, Continued. Internally assigned loan grades are defined as follows:

Pass – a Pass loan's primary source of loan repayment is satisfactory, with secondary sources very likely to be realized if necessary. These are loans that conform in all aspects to bank policy and regulatory requirements, and no repayment risk has been identified.

OLEM (Other Loans Especially Mentioned) – an Other Loan Especially Mentioned has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Company's credit position at some future date.

Substandard – a Substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – a loan classified Doubtful has all the weaknesses inherent in one classified Substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – a loan classified Loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. The Company fully charges off any loan classified as Loss.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(3) Loans, Continued. Age analysis of past-due loans is as follows (in thousands):

	Accruing Loans						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Nonaccrual Loans	Total Loans
At September 30, 2013:							
Residential real estate	$ 183	$ 1,298	$ 0	$ 1,481	$ 20,968	$ 4,175	$ 26,624
Multi-family real estate	0	0	0	0	3,818	0	3,818
Commercial real estate	0	0	0	0	26,881	10,663	37,544
Land and construction	0	0	0	0	6,301	0	6,301
Commercial	0	0	0	0	10,247	0	10,247
Consumer	0	0	0	0	81	0	81
Total	$ 183	$ 1,298	$ 0	$ 1,481	$ 68,296	$ 14,838	$ 84,615
At December 31, 2012:							
Residential real estate	$ 0	$ 2,915	$ 0	$ 2,915	$ 22,492	$ 4,657	$ 30,064
Multi-family real estate	0	0	0	0	3,916	0	3,916
Commercial real estate	0	0	0	0	27,591	11,535	39,126
Land and construction	0	0	0	0	6,389	887	7,276
Commercial	699	0	0	699	6,459	0	7,158
Consumer	0	0	0	0	70	0	70
Total	$ 699	$ 2,915	$ 0	$ 3,614	$ 66,917	$ 17,079	$ 87,610

The following summarizes the amount of impaired loans (in thousands):

	At September 30, 2013			At December 31, 2012		
	Recorded	Unpaid Principal	Related	Recorded	Unpaid Principal	Related

	Investment	Balance	Allowance	Investment	Balance	Allowance
With no related allowance recorded:						
Residential real estate	$ 7,002	$ 7,509	$ 0	$ 7,573	$ 8,024	$ 0
Commercial real estate	10,880	12,855	0	8,661	11,412	0
Land and construction	0	0	0	886	2,410	0
With an allowance recorded-Commercial real estate	$ 1,715	$ 2,913	$ 809	$ 2,874	$ 2,874	$ 366
Total:						
Residential real estate	$ 7,002	$ 7,509	$ 0	$ 7,573	$ 8,024	$ 0
Commercial real estate	$ 12,595	$ 15,768	$ 809	$ 11,535	$ 14,286	$ 366
Land and construction	$ 0	$ 0	$ 0	$ 886	$ 2,410	$ 0
Total	$ 19,597	$ 23,277	$ 809	$ 19,994	$ 24,720	$ 366

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(3) Loans, Continued. The average net investment in impaired loans and interest income recognized and received on impaired loans are as follows (in thousands):

	2013 Average Recorded Investment	Interest Income Recognized	Interest Income Received	2012 Average Recorded Investment	Interest Income Recognized	Interest Income Received
Three Months Ended September 30:						
Residential real estate	$ 7,176	$ 56	$ 268	$ 7,688	$ 52	$ 102
Commercial real estate	$ 8,770	$ 15	$ 109	$ 14,277	$ 0	$ 63
Land and construction	$ 206	$ 0	$ 11	$ 2,372	$ 0	$ 25
Total	$ 16,152	$ 71	$ 388	$ 24,337	$ 52	$ 190
Nine Months Ended September 30:						
Residential real estate	$ 7,335	$ 208	$ 487	$ 7,863	$ 156	$ 254
Commercial real estate	$ 9,743	$ 15	$ 222	$ 14,859	$ 0	$ 172
Land and construction	$ 545	$ 0	$ 37	$ 4,681	$ 0	$ 69
Total	$ 17,623	$ 223	$ 746	$ 27,403	$ 156	$ 495

No loans have been determined to be troubled debt restructurings during the nine months ended September 30, 2013 or 2012.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(4) Regulatory Capital. The Bank is required to maintain certain minimum regulatory capital requirements. The following is a summary at September 30, 2013 of the regulatory capital requirements and the Bank's capital on a percentage basis:

	Bank	Consent Order Regulatory Requirement
Tier I capital to total average assets	5.87 %	8.00 %
Tier I capital to risk-weighted assets	7.35 %	N/A
Total capital to risk-weighted assets	8.62 %	12.00 %

As a result of the Consent Order discussed in Note 10, the Bank is categorized as "adequately capitalized" until the Consent Order is lifted, even if its ratios were to exceed those required to be a "well capitalized" bank.

5) Loss Per Share. Basic loss per share has been computed on the basis of the weighted-average number of shares of common stock outstanding during the period. Basic and diluted loss per share is the same due to the net loss incurred by the Company. Loss per common share has been restated for all periods presented to reflect the one-for-four reverse common share split effective May 31, 2013. Loss per common share has been computed based on the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Weighted-average number of common shares outstanding used to calculate basic and diluted loss per common share	7,212,486	7,278,727	7,889,214	6,532,711

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(6) Stock-Based Compensation. On December 27, 2011, the Company's stockholders approved the 2011 Equity Incentive Plan ("2011 Plan"). A total of 532,125 shares of common stock are available to be issued under the 2011 Plan. Options, restricted stock, performance share awards and bonus share awards in lieu of obligations may be issued under the 2011 Plan. Both incentive stock options and nonqualified stock options can be granted under the 2011 Plan. The exercise price of the stock options cannot be less than the fair market value of the common stock on the date of grant. Effective January 1, 2012, the Company adopted a Non- Employee Director Compensation Plan under which bonus shares issuable under the 2011 Plan may be earned as compensation to outside directors. During the nine months ended September 30, 2013, 20,824 shares of stock valued at approximately $34,811 have been earned under the 2011 Plan and Non-Employee Director Compensation Plan as compensation to outside directors.

The Company's prior stock option plan terminated on February 27, 2011. At September 30, 2013, no options were available for grant under this plan. Options must be exercised within ten years of the date of grant.

A summary of the activity in the prior plan is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2012	6,839	$ 145.08		
Options forfeited	3,799	159.58		
Outstanding and exercisable at September 30, 2013	3,040	$ 145.12	1.9 years	$0

(7) Fair Value Measurements. Securities available for sale measured at fair value on a recurring basis are summarized below (in thousands):

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2013-				
Mortgage-backed securities	$ 23,718	$ 0	$ 23,718	$ 0

As of December 31, 2012-				
Mortgage-backed securities	$ 18,648	$ 0	$ 18,648	$ 0

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(7) Fair Value Measurements, Continued. There were no transfers of securities between levels of inputs for the nine months ended September 30, 2013.

Assets measured at fair value on a nonrecurring basis are as follows (in thousands):

	Fair Value	Level 1	Level 2	Level 3	Total Losses	Losses Recorded in Operations
At September 30, 2013:						
Residential real estate	$ 1,279	$ 0	$ 0	$ 1,279	$ 507	$ 0
Commercial real estate	5,794	0	0	5,794	5,082	792
Land and construction	0	0	0	0	0	0
	$ 7,073	$ 0	$ 0	$ 7,073	$ 5,589	$ 792
Foreclosed real estate	$ 7,834	$ 0	$ 0	$ 7,834	$ 724	$ 724
At December 31, 2012:						
Residential real estate	$ 1,247	$ 0	$ 0	$ 1,247	$ 451	$ 0
Commercial real estate	6,232	0	0	6,232	2,780	366
Land and construction	887	0	0	887	449	0
	$ 8,366	$ 0	$ 0	$ 8,366	$ 3,680	$ 366
Foreclosed real estate	$ 10,938	$ 0	$ 0	$ 10,938	$ 102	$ 102

(8) Fair Value of Financial Instruments. The estimated fair values and fair value measurement method with respect to the Company's financial instruments were as follows (in thousands):

At September 30, 2013			At December 31, 2012		
Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value	Level

Financial assets:						
Cash and cash equivalents	$ 9,191	$ 9,191	1	$ 23,611	$ 23,611	1
Securities available for sale	23,718	23,718	2	18,648	18,648	2
Loans	82,090	81,868	3	85,209	85,046	3
Federal Home Loan Bank stock	1,082	1,082	3	1,478	1,478	3
Accrued interest receivable	513	513	3	499	499	3
Financial liabilities:						
Deposit liabilities	97,293	97,601	3	101,611	101,985	3
Federal Home Loan Bank advances	20,200	21,053	3	27,700	29,633	3
Junior subordinated debenture	5,155	4,829	3	5,155	4,836	3
Off-balance sheet financial instruments	0	0	3	0	0	3

Discussion regarding the assumptions used to compute the estimated fair values of financial instruments can be found in Note 1 to the consolidated financial statements included in the Company’s annual report on Form 10-K for the year ended December 31, 2012.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(9) Regulatory Matters - Company. The Company is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). On June 22, 2010, the Company entered into a written agreement with the Federal Reserve Bank of Atlanta ("Reserve Bank") with respect to certain aspects of the operation and management of the Company (the "Written Agreement").

The Written Agreement contains the following principal requirements:

The Board of the Company must take appropriate steps to fully utilize the Company's financial and managerial resources to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Official Financial Regulation ("OFR"), the Federal Deposit Insurance Corporation ("FDIC") and any other supervisory action taken by the Bank's state or federal regulator.

The Company may not declare or pay any dividends without prior Reserve Bank and Federal Reserve approval.

The Company may not, directly or indirectly, take dividends or any other form of payment representing a reduction in capital from the Bank without prior Reserve Bank approval.

The Company and its nonbank subsidiary, OptimumBank Holdings Capital Trust I, may not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Federal Reserve.

The Company and its nonbank subsidiary, OptimumBank Holdings Capital Trust I, may not, directly or indirectly, incur, increase, or guarantee any debt or purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

The Company must obtain prior written consent from the Reserve Bank before appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, and must comply with the regulations applicable to indemnification and severance payments.

The Company must provide quarterly progress reports to the Reserve Bank, along with parent company only financial statements.

Management believes the Company is in substantial compliance with the requirements of the Written Agreement.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(10) Regulatory Matters- Bank. Effective April 16, 2010, the Bank consented to the issuance of a Consent Order by the FDIC and the OFR, also effective as of April 16, 2010.

The Consent Order represents an agreement among the Bank, the FDIC and the OFR as to areas of the Bank's operations that warrant improvement and presents a plan for making those improvements. The Consent Order imposes no fines or penalties on the Bank. The Consent Order will remain in effect and enforceable until it is modified, terminated, suspended, or set aside by the FDIC and the OFR.

The Consent Order contains the following principal requirements:

The Board of the Bank is required to increase its participation in the affairs of the Bank and assume full responsibility for the approval of sound policies and objectives for the supervision of all of the Bank's activities.
The Bank is required to have and retain qualified and appropriately experienced senior management, including a chief executive officer, a chief lending officer and a chief financial officer, who are given the authority to implement the provisions of the Consent Order.
Any proposed changes in the Bank's Board of Directors or senior executive officers are subject to the prior consent of the FDIC and the OFR.
The Bank is required to maintain both a fully funded allowance for loan and lease losses satisfactory to the FDIC and the OFR and a minimum Tier 1 leverage capital ratio of 8% and a total risk-based capital ratio of 12% for as long as the Consent Order remains in effect.
The Bank must undertake over a two-year period a scheduled reduction of the balance of loans classified "substandard" and "doubtful" in its 2009 FDIC examination by at least 75%.
The Bank is required to reduce the volume of its adversely classified private label mortgage backed securities under a plan acceptable to the FDIC and OFR.
The Bank must submit to the FDIC and the OFR for their review and comment a written business/strategic plan covering the overall operation of the Bank.
The Bank must implement a plan to improve earnings, addressing goals and strategies for improving and sustaining earnings, major areas for improvement in the Bank's operating performance, realistic and comprehensive budgets and a budget review process.
The Bank is required to revise, implement and incorporate recommendations of the FDIC and OFR with respect to the following policies or plans:

o Lending and Collection Policies;

o Investment Policy;

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited), Continued

(10) Regulatory Matters – Bank, Continued.

- o Liquidity, Contingency Funding and Funds Management Plan;
- o Interest Rate Risk Management Policy;
- o Internal Loan Review and Grading System;
- o Internal Control Policy; and
- o A plan to reduce concentration in commercial real estate loans.

The Bank's Board of Directors must review the adequacy of the allowance for loan and lease losses and establish a comprehensive policy satisfactory to the FDIC and OFR for determining such adequacy at least quarterly thereafter.

The Bank may not pay any dividends or bonuses without the prior approval of the FDIC.

The Bank may not accept, renew or rollover any brokered deposits except with the prior approval of the FDIC.

The Bank is required to notify the FDIC and OFR prior to undertaking asset growth of 10% or more per annum while the Consent Order remains in effect.

The Bank is required to file quarterly progress reports with the FDIC and the OFR.

Management believes that the Bank is currently in substantial compliance with all the requirements of the Consent Order except for the following requirements:

Development of a plan to reduce Bank's concentration in commercial real estate loans acceptable to the supervisory authorities; and

Capital ratio requirements of 12% of total risk-based capital and 8% Tier I leverage capital ratio.

The Bank has implemented comprehensive policies and plans to address all of the requirements of the Consent Order and has incorporated recommendations from the FDIC and OFR into these policies and plans. The Board intends to seek capital through investors. Accordingly, there can be no assurance that the Company will raise sufficient capital for the Bank to achieve and maintain material compliance with these ratios.

(11) Junior Subordinated Debenture. The terms of the debenture agreement allow the Company to defer payments of interest on the debenture by extending the interest payment period at any time during the term of the debenture for up to twenty consecution quarterly periods. Effective with the interest payment due March 31, 2010, the Company has elected its right to defer payment of interest on the debenture. Accrued and unpaid interest on the debenture totaled $599,000 at September 30, 2013.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto presented elsewhere in this report. For additional information, refer to the financial statements and footnotes for the year ended December 31, 2012 in the Annual Report on Form 10-K.

Regulatory Enforcement Actions

Bank Consent Order. On April 16, 2010, the Bank consented to the issuance of a Consent Order ("Consent Order") by the FDIC and OFR. The Consent Order covers areas of the Bank's operations that warrant improvement and imposes various requirements and restrictions designed to address these areas, including the requirement to maintain certain minimum capital ratios. A detailed discussion of the Consent Order is contained in Footnote 10 to the condensed consolidated financial statements contained in this report. Management believes that the Bank is currently in substantial compliance with all the requirements of the Consent Order except for the following requirements:

- Development of a plan to reduce Bank's concentration in commercial real estate loans acceptable to the supervisory authorities; and
- Capital ratio requirements of 12% of total risk-based capital and 8% Tier I leverage capital ratio.

The Bank has implemented comprehensive policies and plans to address all of the requirements of the Consent Order and has incorporated recommendations from the FDIC and OFR into these policies and plans. The Board intends to seek capital through investors. Accordingly, there can be no assurance that the Company will raise sufficient capital for the Bank to achieve and maintain material compliance with these ratios.

Company Written Agreement with Reserve Bank. On June 22, 2010, the Company and the Reserve Bank entered into a Written Agreement with respect to certain aspects of the operation and management of the Company, including, without the prior approval of the Reserve Bank, paying or declaring dividends, taking dividends or payments from the Bank, making any interest, principal or other distributions on trust preferred securities, incurring, increasing or guaranteeing any debt, purchasing or redeeming any shares of stock, or appointing any new director or senior executive officer. Management believes that the Company is currently in substantial compliance with the requirements of the Written Agreement. A detailed discussion of the Written Agreement is contained in Footnote 10 to the condensed consolidated financial statements contained in this report.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of the Company, including adverse changes in economic, political and market conditions, losses from the Company's lending activities and changes in market conditions, the possible loss of key personnel, the impact of increasing competition, the impact of changes in government regulation, the possibility of liabilities arising from violations of federal and state securities laws and the impact of changes in technology in the banking industries. Although the Company believes that its forward-looking statements are based upon reasonable assumptions regarding its business and future market conditions, there can be no assurances that the Company's actual results will not differ materially from any results expressed or implied by the Company's forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any forward-looking statements are not guarantees of future performance.

Capital Levels

At September 30, 2013, the Bank did not meet the regulatory capital requirements of the Consent Order. The following table summarizes the capital measures of the Bank at September 30, 2013 and December 31, 2012:

			FDIC Guideline Requirements		
	September 30, 2013	December 31, 2012	Adequately-Capitalized	Well-Capitalized	Consent Order
Leverage ratio	5.87	8.12	4.00	5.00	8.00
Tier I risk-based capital ratio	7.35	10.23	4.00	6.00	*
Total risk-based capital ratio	8.62	11.48	8.00	10.00	12.00

*No additional requirement is established by the Consent Order

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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

Financial Condition at September 30, 2013 and December 31, 2012

Overview

Our total assets declined by $15.9 million to $127.8 million at September 30, 2013, from $143.7 million at December 31, 2012, due to a $3.1 million reduction in foreclosed real estate and a $14.4 million reduction in cash primarily as a result of a reduction in deposits and Federal Home Loan Bank advances. Deposits decreased by $4.3 million to $97.3 million at September 30, 2013, from $101.6 million at December 31, 2012, primarily due to a reduction in savings, NOW and money market deposits, which were a planned reduction in an effort to reduce the Bank's cost of funds, and noninterest-bearing demand deposits, which were a planned reduction to select customers to decrease volatility on the balance sheet. Total stockholders' equity decreased by $4.8 million to $2.1 million at September 30, 2013 from $6.9 million at December 31, 2012, due to a $4.7 million net loss for the nine month period ended September 30, 2013.

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

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012	Nine Months Ended September 30, 2012
Average equity as a percentage of average assets	2.91 %	5.15 %	5.11 %
Equity to total assets at end of period	1.67 %	4.81 %	5.91 %
Return on average assets (1)	(4.65)%	(3.10)%	(2.08)%
Return on average equity (1)	(159.98)%	(60.28)%	(40.75)%
Noninterest expenses to average assets (1)	4.51 %	3.62 %	3.41 %

(1) Annualized for the nine months ended September 30, 2013 and 2012.

Despite the slowing decline of real estate values in South Florida, we continue to experience the adverse effects of the prolonged real estate devaluation resulting in significant levels of non-performing loans, foreclosed real estate and loan charge-offs. Management, however, is committed to minimizing further losses in the loan portfolio and reducing our nonperforming assets.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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

Liquidity and Sources of Funds

The Bank's sources of funds include customer deposits, advances from the Federal Home Loan Bank of Atlanta ("FHLB"), principal repayments and sales of investment securities, loan repayments, foreclosed real estate sales, the use of Federal Funds markets, net earnings, if any, and loans taken out at the Federal Reserve Bank discount window.

Deposits are our primary source of funds. Under the Consent Order, the interest rates that we pay on our market area deposits and our ability to accept brokered deposits is restricted. The restriction on brokered deposits is not expected to alter the Bank's current deposit gathering activities since the Bank has not accepted, renewed or rolled over any brokered deposits since December 2009. With respect to the yield limitations, it is possible that the Bank could experience a decrease in deposit inflows, or the migration of current deposits to competitor institutions, if other institutions offer higher interest rates than those permitted to be offered by the Bank. Despite these yield limitations, we believe that we have the ability to adjust rates on our deposits to attract or retain deposits as needed.

In addition to obtaining funds from depositors, we may borrow funds from other financial institutions. At September 30, 2013, the Bank had outstanding borrowings of $20.2 million, against its $31.7 million in established borrowing capacity with the FHLB. The Bank's borrowing facility is subject to collateral and stock ownership requirements, as well as prior FHLB consent to each advance. In 2010, the Bank obtained an available discount window credit line with the Reserve Bank, currently $1.9 million. The Reserve Bank line is subject to collateral requirements and must be repaid within 90 days; each advance is subject to prior Reserve Bank consent. In addition, in 2013 the Bank established a new credit facility of $2.5 million with SunTrust Bank, subject to the same stock collateral requirements as the FHLB line. We measure and monitor our liquidity daily and believe our liquidity sources are adequate to meet our operating needs.

The Company, on an unconsolidated basis, typically relies on dividends from the Bank to fund its operating expenses, primarily expenses of being publicly held, and to make interest payments on its outstanding trust preferred securities. Under the Consent Order, the Bank is currently unable to pay dividends without prior regulatory approval. In addition, under the Written Agreement, we may not pay interest payments on the trust preferred securities or dividends on our common stock, incur any additional indebtedness at the holding company level, or redeem our common stock without the prior regulatory approval of the Reserve Bank. Since January 2010, we have deferred interest payments on our trust preferred securities.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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 are commitments to extend credit and may 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 amounts of these instruments reflect the extent of the Company's involvement in these financial 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. As of September 30, 2013, the Company had commitments to extend credit totaling $1.2 million.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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

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 30,					
	2013			2012		
	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
	($ in thousands)					
Interest-earning assets:						
Loans	$ 83,464	1,074	5.15 %	$ 89,022	$ 1,025	4.61 %
Securities	22,784	196	3.44	24,661	245	3.97
Other (1)	8,296	16	0.77	25,838	22	0.34
Total interest-earning assets/interest income	114,544	1,286	4.49	139,521	1,292	3.70
Cash and due from banks	5,009			2,399		
Premises and equipment	2,933			2,804		
Other	7,808			7,232		
Total assets	$ 130,294			$ 151,956		
Interest-bearing liabilities:						
Savings, NOW and money-market deposits	32,734	46	0.56	35,837	57	0.64
Time deposits	62,520	155	0.99	70,228	215	1.22
Borrowings (2)	27,067	231	3.41	34,116	359	4.21
Total interest-bearing liabilities/interest expense	122,321	432	1.41	140,181	631	1.80
Noninterest-bearing demand deposits	2,996			1,069		
Other liabilities	2,779			2,299		
Stockholders' equity	2,198			8,407		

Total liabilities and stockholders' equity	$ 130,294				$ 151,956			
Net interest income		$ 854				$ 661		
Interest-rate spread (3)			3.08	%			1.90	%
Net interest margin (4)			2.98	%			1.81	%
Ratio of average interest-earning assets to average interest-bearing liabilities	0.94				1.00			

(1) Includes interest-earning deposits with banks, federal funds sold and Federal Home Loan Bank stock dividends.
(2) Includes Federal Home Loan Bank advances, and junior subordinated debenture.
(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(4) Net interest margin is net interest income divided by average interest-earning assets.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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

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.

	Nine Months Ended September 30,					
	2013			2012		
	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
	($ in thousands)					
Interest-earning assets:						
Loans	$ 86,576	3,235	4.98 %	$ 89,607	$ 3,002	4.47 %
Securities	19,914	571	3.83	26,530	819	4.12
Other (1)	13,192	48	0.48	25,085	60	0.32
Total interest-earning assets/interest income	119,682	3,854	4.29	141,222	3,881	3.66
Cash and due from banks	4,678			1,594		
Premises and equipment	2,929			2,726		
Other	8,532			6,760		
Total assets	$ 135,821			$ 152,308		
Interest-bearing liabilities:						
Savings, NOW and money-market deposits	33,112	143	0.58	35,336	169	0.64
Time deposits	61,552	506	1.10	70,089	679	1.29
Borrowings (2)	30,926	876	3.77	35,942	1,136	4.21
Total interest-bearing liabilities/interest expense	125,590	1,525	1.62	141,367	1,984	1.87
	3,427			728		

Noninterest-bearing demand deposits						
Other liabilities	2,853			2,435		
Stockholders' equity	3,951			7,777		
Total liabilities and stockholders' equity	$ 135,821			$ 152,308		
Net interest income		$ 2,329			$ 1,897	
Interest-rate spread (3)			2.67 %			1.79 %
Net interest margin (4)			2.59 %			1.79 %
Ratio of average interest-earning assets to average interest-bearing liabilities	0.95			1.00		

(1) Includes interest-bearing deposits in banks, federal funds sold and Federal Home Loan Bank stock dividends.
(2) Includes Federal Home Loan Bank advances 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 SUBSIDIARIES

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

Comparison of the Three-Month Periods Ended September 30, 2013 and 2012

General. Net loss for the three months ended September 30, 2013, was $0.3 million or $(.05) per basic and diluted share compared to a net loss of $1.0 million or $(.14) per basic and diluted share for the period ended September 30, 2012. This decrease in the Company's net loss was primarily due to a decrease in the provision for loan losses.

Interest Income. Interest income remained at $1.3 million for the three months ended September 30, 2013 and 2012.

Interest Expense. Interest expense decreased to $0.4 million for the three months ended September 30, 2013 from $0.6 million for the three months ended September 30, 2012. Interest expense decreased primarily because of a decrease in the average yield paid during 2013 and a decrease in the average balance of deposits in 2013.

Provision for Loan Losses. The provision for the three months ended September 30, 2013, was $0 compared to $0.2 million for the same period in 2012. The provision for loan losses is charged to operations as losses are estimated to have occurred in order to bring the total allowance for loan losses to a level deemed appropriate by management to absorb losses inherent in the portfolio at September 30, 2013. Management's periodic evaluation of the adequacy of the allowance is based upon historical experience, the volume and type of lending conducted, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, loans identified as impaired, general economic conditions, particularly as they relate to market areas, and other factors related to the estimated collectability of the loan portfolio. The allowance for loan losses totaled $2.9 million or 3.46% of loans outstanding at September 2013, compared to $2.5 million, or 2.81% of loans outstanding at December 31, 2012. Management believes the balance in the allowance for loan losses at September 30, 2013 is adequate.

Noninterest Income. Total noninterest income decreased to $6,000 for the three months ended September 30, 2013 and 2012, from $10,000 for the three months ended September 30, 2012.

Noninterest Expenses. Total noninterest expenses decreased to $1.2 million for the three months ended September 30, 2013 compared to $1.4 million for the three months ended September 30, 2012, primarily as a result of a reduction in professional fees and foreclosed real estate expense.

Other-Than-Temporary Impairment on Securities. Other-than-temporary impairment on securities decreased to $9,000 for the three months ended September 30, 2013, compared to $0.1 million for the three months ended September 30, 2012.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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

Comparison of the Nine-Month Periods Ended September 30, 2013 and 2012

General. Net loss for the nine months ended September 30, 2013, was $4.7 million or $(.60) per basic and diluted share compared to a net loss of $2.4 million or $(.36) per basic and diluted share for the period ended September 30, 2012. This increase in the Company's net loss was primarily due to increases in foreclosed real estate expense and provision for loan losses.

Interest Income. Interest income remained at $ 3.9 million for the nine months ended September 30, 2013 and 2012.

Interest Expense. Interest expense decreased to $1.5 million for the nine months ended September 30, 2013, from $2.0 million for the nine months ended September 30, 2012. Interest expense on deposits decreased primarily because of a decrease in the average yield paid on deposits in 2013 and a decrease in the average balance of deposits in 2013.

Provision for Loan Losses. The provision for the nine months ended September 30, 2013, was $2.2 million compared to $0.4 million for the same period in 2012. The provision for loan losses is charged to operations as losses are estimated to have occurred in order to bring the total allowance for loan losses to a level deemed appropriate by management to absorb losses inherent in the loan portfolio at September 30, 2013. Management's periodic evaluation of the adequacy of the allowance is based upon historical experience, the volume and type of lending conducted by us, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, loans identified as impaired, general economic conditions, particularly as they relate to our market areas, and other factors related to the estimated collectability of our loan portfolio. The allowance for loan losses totaled $2.9 million or 3.46% of loans outstanding at September 30, 2013, compared to $2.5 million, or 2.81% of loans outstanding at December 31, 2012. Management believes the balance in the allowance for loan losses at September 30, 2013 is adequate.

Noninterest Income. Total noninterest income decreased to $82,000 for the nine months ended September 30, 2013, from $198,000 for the nine months ended September 30, 2012.

Noninterest Expenses. Total noninterest expenses increased to $4.6 million for the nine months ended September 30, 2013 from $3.9 million for the nine months ended September 30, 2012, primarily due to a $0.7 million increase in foreclosed real estate expense.

Other-Than-Temporary Impairment on Securities. Other-than-temporary impairment on securities increased to $0.4 million for the nine month period ended September 30, 2013 from $0.2 million for the same period in 2012. The impairment resulted from a periodic impairment analysis with respect to the private-label mortgage-backed securities portfolio.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

Item 4. Controls and Procedures

The Company's management evaluated the effectiveness of disclosure controls and procedures as of the end of the period covered by this report, and, based on this evaluation, the Principal Executive Officer and Principal Financial Officer concluded that these disclosure controls and procedures are effective.

There have been no changes in internal control over financial reporting during the quarter ended September 30, 2013, that have materially affected, or are reasonably likely to materially affect internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Non-Employee Director Share Issuances

On September 30, 2013, the Company allocated 7,644 shares of its common stock to the Company's non-employee directors under the Company's 2011 Equity Incentive Plan and the Company's Non-Employee Director Compensation Plan (the "Director Compensation Plan") for attendance fees at board meetings of the Company during the third quarter of 2013. Under the Director Compensation Plan, which became effective on January 1, 2012, fees for attendance at board and committee meetings are payable 75% in shares of common stock and 25% in cash on a quarterly basis. The shares were issued at the price of $1.58, the fair market value of the shares on the date of issuance. The issuance of the shares was exempt from registration pursuant to Section 4(2) of the Securities Act as a transaction by an issuer not involving a public offering.

Item 6. Exhibits

The exhibits contained in the Exhibit Index following the signature page are filed with or incorporated by reference into this report.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

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 13, 2013	By:	/s/ Thomas Procelli Thomas Procelli, Principal Executive Officer and Principal Financial Officer

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 30, 2012)
4.1	Bylaws (incorporated by reference from Current Report on Form 8-K filed with the SEC on May 11, 2004)
4.2	Form of stock certificate (incorporated by reference from Quarterly Report on Form 10-QSB filed with the SEC on August 12, 2004)
4.3	Form of Registration Rights Agreement between OptimumBank Holdings, Inc. and Investors (incorporated by reference from Current Report on Form 8-K filed with the SEC on October 31, 2011)

4.4	The Company has outstanding certain long-term debt. None of such debt exceeds ten percent of the Company's total assets; therefore, copies of the constituent instruments defining the rights of the holders of such debt are not included as exhibits. Copies of instruments with respect to such long-term debt will be furnished to the SEC upon request.
10.1	OptimumBank Holdings, Inc. Non-Employee Director Compensation Plan (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 30, 2012)
10.2	Amended and Restated Stock Purchase Agreement, dated as of December 52011, between OptimumBank Holdings, Inc. and Moishe Gubin (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 30, 2012)
10.3	First Amendment dated June 29, 2012 to Amended and

	Restated Stock Purchase Agreement between OptimumBank Holdings, Inc. and Moishe Gubin dated December 5, 2011 (incorporated by reference from Current Report on Form 8-K filed with the SEC on July 6, 2012)
10.4	Second First Amendment dated October 25, 2012 to Amended and Restated Stock Purchase Agreement between OptimumBank Holdings, Inc. and Moishe Gubin dated December 5, 2011
31.1	Certification of Principal Executive and Principal Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Principal Executive and Principal Financial Officer under 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension

Calculation
Linkbase Document

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit No.	Description
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document