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OptimumBank Holdings, Inc.
Form 10QSB
May 13, 2005

=====

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

FORM 10-QSB

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

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

For the transition period from _____ to _____

Commission File Number 0001288855

OPTIMUMBANK HOLDINGS, INC.

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

Florida

55-0865043

(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

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

2477 East Commercial Boulevard
Fort Lauderdale, Florida 33308
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(954) 776-2332

(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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Common stock, par value \$.01 per share 2,657,502 shares

(CLASS) OUTSTANDING AT MAY 13, 2005

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

CONFORMED COPY

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

PART I. FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS

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

	MARCH 31, ----- 2005 ----- (UNAUDITED)	DECEMBER 31, ----- 2004 -----
ASSETS		
Cash and due from banks	\$ 473	\$ 383
Federal funds sold	139	2,840
	-----	-----
Total cash and cash equivalents	612	3,223
Securities held to maturity (fair value approximates \$30,558 and \$24,065)	30,815	24,134
Security available for sale	244	247
Loans, net of allowance for loan losses of \$661 and \$628	130,298	128,810
Loans held for sale	507	509
Federal Home Loan Bank stock	2,176	1,965
Premises and equipment, net	4,128	4,114
Accrued interest receivable	897	878
Other assets	563	678
	-----	-----
Total assets	\$ 170,240	\$ 164,558
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing demand deposits	\$ 722	\$ 558
Savings, NOW and money-market deposits	7,569	8,091
Time deposits	91,043	89,345
	-----	-----
Total deposits	99,334	97,994
Federal Home Loan Bank advances	41,050	37,650
Other borrowings	5,000	5,000
Junior subordinated debenture	5,155	5,155
Other liabilities	739	522
Official checks	1,514	1,209
Deferred income tax liability	305	305
	-----	-----
Total liabilities	153,097	147,835
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value; 6,000,000 shares authorized, 2,657,502 and 2,650,102 shares issued and outstanding	27	27
Additional paid-in capital	14,090	14,051
Retained earnings	3,032	2,648
Accumulated other comprehensive income (loss)	(6)	(3)
	-----	-----

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Total stockholders' equity	17,143	16,723
	-----	-----
Total liabilities and stockholders' equity	\$ 170,240	\$ 164,558
	=====	=====

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,	
	2005	2004
	-----	-----
Interest income:		
Loans	\$2,072	\$1,932
Securities	299	194
Other	45	21
	-----	-----
Total interest income	2,416	2,147
	-----	-----
Interest expense:		
Deposits	781	683
Borrowings	416	268
	-----	-----
Total interest expense	1,197	951
	-----	-----
Net interest income	1,219	1,196
Provision for loan losses	33	30
	-----	-----
Net interest income after provision for loan losses	1,186	1,166
	-----	-----
Noninterest income:		
Service charges and fees	48	38
Prepayment fees collected	187	181
Other	23	2
	-----	-----
Total noninterest income	258	221
	-----	-----
Noninterest expenses:		
Salaries and employee benefits	473	414
Occupancy and equipment	141	108

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Data processing	51	38
Professional fees	42	33
Insurance	16	12
Stationary and supplies	10	16
Other	94	81
	-----	-----
Total noninterest expenses	827	702
	-----	-----
Earnings before income taxes	617	685
Income taxes	233	261
	-----	-----
Net earnings	\$ 384	\$ 424
	=====	=====
Net earnings per share:		
Basic	\$.14	\$.16
	=====	=====
Diluted	\$.14	\$.16
	=====	=====

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, 2005 AND 2004
(DOLLARS IN THOUSANDS)

	COMMON STOCK		ADDITIONAL	RETAINED
	SHARES	AMOUNT	PAID-IN	EARNINGS
	-----	-----	-----	-----
Balance at December 31, 2003	2,613,501	\$ 26	13,800	1,078
Comprehensive income:				
Net earnings for the three months ended March 31, 2004 (unaudited)	--	--	--	424
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--

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Comprehensive income (unaudited)	428			
Proceeds from sale of common stock, net (unaudited)	475	--	5	--
Proceeds from exercise of common stock options (unaudited)	17,334	--	90	--
	-----	-----	-----	-----
Balance at March 31, 2004 (unaudited)	2,631,310	\$ 26	13,895	1,502
	=====	=====	=====	=====
Balance at December 31, 2004	2,650,102	\$ 27	14,051	2,648
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)	--	--	--	--
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
	=====	=====	=====	=====

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 ENDED
MARCH 31,
2005

Cash flows from operating activities:

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Net earnings	\$	384	\$
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization		67	
Provision for loan losses		33	
Net amortization of fees, premiums and discounts		25	
Repayments of loans held for sale		2	
Increase in accrued interest receivable		(19)	
Decrease (increase) in other assets		115	
Increase (decrease) in official checks and other liabilities		522	
		-----	-----
Net cash provided by (used in) operating activities		1,129	-----
Cash flows from investing activities:			
Purchases of securities held to maturity		(7,843)	
Principal repayments of securities held to maturity		1,187	
Net (increase) decrease in loans		(1,571)	
Purchase of premises and equipment		(81)	
Net (increase) decrease in Federal Home Loan Bank stock		(211)	
		-----	-----
Net cash (used in) provided by investing activities		(8,519)	-----
Cash flows from financing activities:			
Net increase in deposits		1,340	
Net decrease in other borrowings		--	(
Proceeds from sale of common stock, net		--	
Proceeds from exercise of common stock options		39	
Net increase (decrease) in Federal Home Loan Bank advances		3,400	(
		-----	-----
Net cash provided by financing activities		4,779	-----
Net (decrease) increase in cash and cash equivalents		(2,611)	
Cash and cash equivalents at beginning of the period		3,223	-----
Cash and cash equivalents at end of the period	\$	612	\$
		=====	=====
Supplemental disclosure of cash flow information: Cash paid during the period for:			
Interest	\$	1,370	\$
		=====	=====
Income taxes	\$	224	\$
		=====	=====
Noncash investing activity-			
Change in accumulated other comprehensive (loss) income, net change in unrealized loss on security available for sale	\$	(3)	\$
		=====	=====

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, 2005, and the results of operations and cash flows for the three-month periods ended March 31, 2005 and 2004. The results of operations for the three months ended March 31, 2005, are not necessarily indicative of the results to be expected for the full year.

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

	THREE MONTHS ENDED MARCH 31,	
	2005	2004
Balance at beginning of period	\$ 628	\$ 492
Provision for loan losses	33	30
Balance at end of period	\$ 661	\$ 522

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

	AT	
	MARCH 31, 2005	DECEMBER 31, 2004
Loans identified as impaired:		
Gross loans with related allowance for losses recorded	\$3,268	\$3,268
Less allowance for losses on these loans	--	--
Net investment in impaired loans	\$ 3,268	\$ 3,268

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

THREE MONTHS ENDED

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	MARCH 31,	
	2005	2004
Average net investment in impaired loans	\$ 3,268	\$ --
Interest income recognized on impaired loans	\$ --	\$ --
Interest income received on impaired loans	\$ --	\$ --

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(continued)
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, 2005 of the regulatory capital requirements and the Company's and the Bank's capital on a percentage basis:

	COMPANY	BANK
Tier I capital to total average assets	13.32%	13.32%
Tier I capital to risk-weighted assets	19.81%	19.81%
Total capital to risk-weighted assets	20.40%	20.40%

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

	THREE MONTHS ENDED MARCH 31,	
	2005	2004
Weighted average number of common shares outstanding used to calculate basic earnings per common share	2,653,802	2,625,000
Effect of dilutive stock options	103,610	50,000

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Weighted average number of common shares outstanding used to calculate diluted earnings per common share	2,757,412	2,67
	=====	=====

(continued)

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED

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

A summary of the activity in the Company's stock option plan is as follows (dollars in thousands, except per share amounts):

	NUMBER OF SHARES	RANGE OF PER SHARE OPTION PRICE	WEIGHTED- AVERAGE EXERCISE PRICE	AGGR OPT PR
Outstanding at December 31, 2004	370,433	\$ 5.00-10.00	\$ 7.19	\$ 2
Granted	10,000	12.49	12.49	
Exercised	(7,400)	5.00-6.75	5.33	
Forfeited	(3,000)	6.75-10.00	8.37	
	-----	-----	-----	-----
Outstanding at March 31, 2005	370,033	\$ 5.00-12.49	\$ 7.36	\$ 2
	=====	=====	=====	=====

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED

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

	THREE MONTHS ENDED MARCH 31,	
	----- 2004 -----	2005 -----
Net earnings, as reported	\$ 384	\$ 424
Deduct: Total stock-based employee compensation determined under the fair value based method for all awards, net of related tax effect	(44)	(14)
	-----	-----
Proforma net earnings	\$ 340 =====	\$ 410 =====
Basic earnings per share: As reported	\$.14 =====	\$.16 =====

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Proforma	\$.13	\$.16
	=====	=====
Diluted earnings per share:		
As reported	\$.14	\$.16
	=====	=====
Proforma	\$.12	\$.15
	=====	=====

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

REVIEW BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Hacker, Johnson & Smith PA, the Company's independent registered public accounting firm, have made a limited review of the interim financial data as of March 31, 2005, and for the three-month periods ended March 31, 2005 and 2004, presented in this document, in accordance with standards established by the Public Company Accounting Oversight Board.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

OptimumBank Holdings, Inc.
Plantation, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of OptimumBank Holdings, Inc. and Subsidiary (the "Company") as of March 31, 2005, and the related condensed consolidated statements of earnings, stockholders' equity and cash flows for the three-month periods ended March 31, 2005 and 2004. These interim financial statements are the responsibility of the Company's management.

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

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

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

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/s/ Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Fort Lauderdale, Florida
April 21, 2005

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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, 2005 AND DECEMBER 31, 2004

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash during the three months ended March 31, 2005 were from net deposit inflows of approximately \$1.3 million, principal repayments of securities held to maturity of approximately \$1.2 million and Federal Home Loan Bank advances of \$3.4 million. Cash was used primarily for net loan originations of approximately \$1.6 million and purchases of securities held to maturity of approximately \$7.8 million. At March 31, 2005, the Company had time deposits of approximately \$47.9 million that mature in one year or less. At March 31, 2005, the Company exceeded its regulatory liquidity requirements. Management believes that, if so desired, it can adjust the rates on time deposits to retain or attract deposits in a changing interest-rate environment.

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

THREE MONTHS ENDED MARCH 31,	YEAR ENDED DECEMBER 31
------------------------------------	---------------------------

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	2005 -----	2004 -----
Average equity as a percentage of average assets	10.24%	10.53%
Equity to total assets at end of period	10.07%	10.16%
Return on average assets (1)	.92%	1.06%
Return on average equity (1)	9.03%	10.05%
Noninterest expenses to average assets (1)	1.99%	1.89%
Nonperforming loans to total assets at end of period	1.92%	2.54%

(1) Annualized for the three months ended March 31, 2005 and 2004.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

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

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

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

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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, 2005, follows (in thousands):

	CONTRACT AMOUNT
Commitments to extend credit	\$ 31,927 =====
Undisbursed loans in process	\$ 2,357 =====

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 MA			
	2005			
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERA BALAN
Interest-earning assets:				
Loans	\$125,942	\$ 2,072	6.58%	\$114,5
Securities	27,158	299	4.40	16,5
Other interest-earning assets (1)	6,221	45	2.89	3,7

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Total interest-earning assets/interest income	159,321	2,416	6.07	134,9
	-----	-----		-----
Cash and due from banks	99	--	--	5
Premises and equipment	4,129	--	--	1,9
Other assets	2,525	--	--	2,7
	-----	-----		-----
Total assets	\$166,074	--	--	\$140,1
	=====	=====		=====
Interest-bearing liabilities:				
Savings, NOW and money-market deposits	8,017	19	.95	7,7
Time deposits	89,928	762	3.39	77,9
Borrowings (2)	47,954	416	3.47	37,0
	-----	-----		-----
Total interest-bearing liabilities/interest expense	145,899	1,197	3.28	122,7
	-----	-----		-----
Noninterest-bearing demand deposits	1,088	--	--	7
Other liabilities	2,074	--	--	1,6
Stockholders' equity	17,013	--	--	14,9
	-----	-----		-----
Total liabilities and stockholders' equity	\$166,074	--	--	\$140,1
	=====	=====		=====
Net interest income	--	\$ 1,219	--	
	=====	=====		=====
Interest rate spread (3)	--	--	2.79%	
	=====	=====		=====
Net interest margin (4)	--	--	3.06%	
	=====	=====		=====
Ratio of average interest-earning assets to average interest-bearing liabilities	1.09	--	--	1.
	=====	=====		=====

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

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COMPARISON OF THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

GENERAL. Net earnings for the three months ended March 31, 2005, were \$384,000 or \$.14 per basic and diluted share compared to net earnings of \$424,000 or \$.16 per basic and diluted share for the period ended March 31, 2004.

INTEREST INCOME. Interest income increased to \$2.4 million for the three months ended March 31, 2005 from \$2.1 million for the three months ended March 31, 2004. Interest income on loans increased to \$2.1 million due primarily to an increase in the average loan portfolio balance for the three months ended March 31, 2005, partially offset by a decrease in the average yield earned from 6.74% for the three months ended March 31, 2004 to 6.58% for the three months ended March 31, 2005. Interest on securities increased to \$299,000 due primarily to an increase in the average balance, partially offset by a decrease in the average yield earned on the securities portfolio in 2005.

INTEREST EXPENSE. Interest expense on deposit accounts increased to \$781,000 for the three months ended March 31, 2005, from \$683,000 for the three months ended March 31, 2004. Interest expense increased primarily because of an increase in the average balance of deposits during 2005. Interest expense on borrowings increased to \$416,000 for the three months ended March 31, 2005 from \$268,000 for the three months ended March 31, 2004 due to an increase in the average balance of borrowings.

PROVISION FOR LOAN LOSSES. The provision for loan losses is charged to earnings to bring the total allowance to a level deemed appropriate by management and is based upon historical experience, the volume and type of lending conducted by the Company, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market areas, and other factors related to the estimated collectibility of the Company's loan portfolio. The provision for the three months ended March 31, 2005, was \$33,000 compared to \$30,000 for the same period in 2004. Management believes the balance in the allowance for loan losses of \$661,000 at March 31, 2005, is adequate.

NONINTEREST INCOME. Total noninterest income increased to \$258,000 for the three months ended March 31, 2005, from \$221,000 for the three months ended March 31, 2004.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$827,000 for the three months ended March 31, 2005 from \$702,000 for the three months ended March 31, 2004, primarily due to an increase in salaries and employee benefits of \$59,000, an increase in occupancy and equipment of \$33,000, and an increase in other expenses of \$13,000 all due to the continued growth of the Company.

INCOME TAXES. Income taxes for the three months ended March 31, 2005, were \$233,000 (an effective rate of 37.8%) compared to income taxes of \$261,000 (an effective rate of 38.1%) for the three months ended March 31, 2004.

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ITEM 3. CONTROLS AND PROCEDURES

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

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
** 2	Agreement and Plan of Reorganization dated March 23, 2004
*** 3.1	Articles of Incorporation
*** 3.3	Bylaws
* 4.1	Form of stock certificate
**** 10.1	Amended and Restated Stock Option Plan
* 10.2	Nonemployee Directors Stock Purchase Plan
* 10.3	Agreement between OptimumBank, Albert J. Finch and Richard L. Browdy dated June 14, 2002
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002

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 13, 2005

By: /s/ Albert J. Finch

Albert J. Finch, Chief Executive Officer

Date: May 13, 2005

By: /s/ Richard L. Browdy

Richard L. Browdy, Chief Financial Officer