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OptimumBank Holdings, Inc.
Form 10QSB
August 11, 2006

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0001288855

OPTIMUMBANK HOLDINGS, INC.
(Exact name of small business issuer as specified in its charter)

FLORIDA
(State or other jurisdiction of
incorporation or organization)

55-0865043
(IRS Employer
Identification No.)

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,819,003 common shares issued and outstanding as of August 10, 2006

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

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	JUNE 30, 2006	DECEMBER 31, 2005
	-----	-----
	(UNAUDITED)	
ASSETS		
Cash and due from banks	\$ 249	\$ 502
Federal funds sold	1,268	652
	-----	-----
Total cash and cash equivalents	1,517	1,154
Securities held to maturity (fair value approximates \$27,885 and \$25,096)	28,561	25,618
Security available for sale	235	243
Loans, net of allowance for loan losses of \$910 and \$777	179,299	170,226
Federal Home Loan Bank stock	2,987	2,712
Premises and equipment, net	4,042	4,074
Accrued interest receivable	1,079	1,030
Other assets	618	987
	-----	-----
Total assets	\$ 218,338	\$ 206,044
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing demand deposits	\$ 345	\$ 390
Savings, NOW and money-market deposits	9,634	7,050
Time deposits	109,232	106,624
	-----	-----
Total deposits	119,211	114,064
Federal Home Loan Bank advances	57,230	52,950
Other borrowings	12,950	12,950
Junior subordinated debenture	5,155	5,155
Other liabilities	1,588	922
Official checks	2,658	1,593
	-----	-----
Total liabilities	198,792	187,634
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value; 6,000,000 shares authorized, 2,815,853 and 2,663,775 shares issued and outstanding	28	27
Additional paid-in capital	15,890	14,141
Retained earnings	3,643	4,249
Accumulated other comprehensive loss	(15)	(7)

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Total stockholders' equity	19,546	18,410
Total liabilities and stockholders' equity	\$ 218,338	\$ 206,044

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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
Interest income:				
Loans	\$3,081	\$2,427	\$6,091	\$4,499
Securities	275	338	562	637
Other	44	31	89	76
Total interest income	3,400	2,796	6,742	5,212
Interest expense:				
Deposits	1,202	892	2,314	1,673
Borrowings	679	531	1,386	947
Total interest expense	1,881	1,423	3,700	2,620
Net interest income	1,519	1,373	3,042	2,592
Provision for loan losses	27	112	133	145
Net interest income after provision for loan losses	1,492	1,261	2,909	2,447
Noninterest income:				
Service charges and fees	14	52	37	100
Loan prepayment fees	70	154	137	341
Gain on early extinguishment of debt	--	--	178	--
Litigation settlement	93	--	93	--
Other	3	15	7	38
Total noninterest income	180	221	452	479
Noninterest expenses:				
Salaries and employee benefits	505	463	996	936
Occupancy and equipment	157	150	316	291
Data processing	41	50	82	101
Professional fees	66	60	132	102
Insurance	17	36	34	

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Stationary and supplies	6	12	17	22
Other	100	102	198	196
	-----	-----	-----	-----
Total noninterest expenses	892	855	1,777	1,682
	-----	-----	-----	-----
Earnings before income taxes	780	627	1,584	1,244
	-----	-----	-----	-----
Income taxes	294	239	581	472
	-----	-----	-----	-----
Net earnings	\$ 486	\$ 388	\$1,003	\$ 772
	=====	=====	=====	=====
Net earnings per share:				
Basic	\$.17	\$.14	\$.36	\$.28
	=====	=====	=====	=====
Diluted	\$.16	\$.13	\$.34	\$.27
	=====	=====	=====	=====
Dividends per share	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====

See Accompanying Notes to Condensed Consolidated Financial Statements.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(DOLLARS IN THOUSANDS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	-----	-----	-----	-----
Balance at December 31, 2004	2,650,102	\$ 27	14,051	2,648
Comprehensive income:				
Net earnings for the six months ended June 30, 2005 (unaudited)	--	--	--	772
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--
Comprehensive income (unaudited)	--	--	--	--
Proceeds from exercise of common stock options (unaudited)	11,733	--	62	--
	-----	-----	-----	-----
Balance at June 30, 2005				

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(unaudited)	2,661,835	\$ 27	14,113	3,420
	=====	=====	=====	=====
Balance at December 31, 2005	2,663,775	27	14,141	4,249
	-----	-----	-----	-----
Comprehensive income:				
Net earnings for the six months ended June 30, 2006 (unaudited)	--	--	--	1,003
Net change in unrealized loss on security available for sale (unaudited)	--	--	--	--
Comprehensive income (unaudited)	--	--	--	--
Proceeds from exercise of common stock options, including tax benefit of \$37 (unaudited)	18,000	--	141	--
5% stock dividend (unaudited)	134,078	1	1,608	(1,609)
	-----	-----	-----	-----
Balance at June 30, 2006 (unaudited)	2,815,853	\$ 28	15,890	3,643
	=====	=====	=====	=====

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)

	SIX MONTHS JUNE 30

	2006

Cash flows from operating activities:	
Net earnings	\$ 1,003
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	114
Provision for loan losses	133
Gain on early extinguishment of debt	(178)
Net amortization of fees, premiums and discounts	332
Repayments of loans held for sale	--
(Increase) decrease in accrued interest receivable	(49)
Decrease (increase) in other assets	369
Increase in official checks and other liabilities	1,731

Net cash provided by operating activities	3,455

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Cash flows from investing activities:		
Purchases of securities held to maturity		(4,926)
Principal repayments of securities held to maturity		1,825
Net increase in loans		(9,380)
Purchase of premises and equipment		(82)
Purchase of Federal Home Loan Bank stock		(275)

Net cash used in investing activities		(12,838)

Cash flows from financing activities:		
Net increase in deposits		5,147
Proceeds from exercise of common stock options		104
Net increase in Federal Home Loan Bank advances		4,458
Net increase in other borrowings		--
Tax benefit associated with exercise of common stock options		37

Net cash provided by financing activities		9,746

Net increase (decrease) in cash and cash equivalents		363

Cash and cash equivalents at beginning of the period		1,154

Cash and cash equivalents at end of the period		\$ 1,517
		=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest		\$ 3,705
		=====
Income taxes		\$ 818
		=====
Noncash investing and financing activities:		
Change in accumulated other comprehensive (loss) income		
net change in unrealized loss on security available for sale		\$ (8)
		=====
Loans reclassified to foreclosed real estate		\$ --
		=====
Common stock dividend		\$ 1,609
		=====

See Accompanying Notes to Condensed Consolidated Financial Statements

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

- (1) GENERAL. OptimumBank Holdings, Inc. (the "Holding Company") is a one-bank holding company and owns 100% of OptimumBank (the "Bank"), a state (Florida)-chartered commercial bank (collectively, the "Company"). The Holding Company's only business is the operation of the Bank. The Bank's deposits are insured by the Federal Deposit Insurance Corporation. The Bank offers a variety of community banking services to individual and corporate customers through its three banking offices located in Broward County, Florida.

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In the opinion of the management, the accompanying condensed consolidated financial statements of the Company contain all adjustments (consisting principally of normal recurring accruals) necessary to present fairly the financial position at June 30, 2006, and the results of operations for the three- and six-month periods ended June 30, 2006 and 2005, and cash flows for the six-months periods ended June 30, 2006 and 2005. The results of operations for the three and six months ended June 30, 2006, are not necessarily indicative of the results to be expected for the full year.

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

	THREE MONTHS ENDED JUNE 30,	
	2006	2005
Balance at beginning of period	\$ 883	\$ 661
Provision for loan losses	27	112
Balance at end of period	\$ 910	\$ 773

There were no impaired loans at June 30, 2006 or December 31, 2005. The average net investment in impaired loans and interest income recognized and received on impaired loans is as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,	
	2006	2005
Average net investment in impaired loans	\$ --	\$ 467
Interest income recognized on impaired loans	\$ --	\$ --
Interest income received on impaired loans	\$ --	\$ --

At June 30, 2006, the Company had no nonaccrual loans or loans over 90 days still accruing.

(continued)

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- (3) REGULATORY CAPITAL. The Bank is required to maintain certain minimum regulatory capital requirements. The following is a summary at June 30, 2006 of the regulatory capital requirements of the Bank's capital on a percentage basis:

	BANK ----	REGULATORY REQUIREMENT -----
Tier I capital to total average assets	11.67%	4.00%
Tier I capital to risk-weighted assets	15.56%	4.00%
Total capital to risk-weighted assets	16.15%	8.00%

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

	THREE MONTHS ENDED JUNE 30,	
	2006 -----	2005 -----
Weighted-average number of common shares outstanding used to calculate basic earnings per common share	2,815,225	2,791,514
Effect of dilutive stock options	149,634 -----	94,777 -----
Weighted-average number of common shares outstanding used to calculate diluted earnings per common share	2,964,859 =====	2,886,291 =====

All amounts reflect the 5% stock dividend declared in April, 2006 and paid in June, 2006.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED

- (5) STOCK-BASED COMPENSATION. Prior to January 1, 2006, the Company's stock option plans were accounted for under the recognition and measurement provisions of APB Opinion No. 25 (Opinion 25), Accounting for Stock Issued to Employees, and related

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Interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation (as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure) (collectively SFAS 123). No stock-based employee compensation cost was recognized in the Company's consolidated statements of earnings through December 31, 2005, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), Share-Based Payment (SFAS 123R), using the modified-prospective-transition method. Under that transition method, compensation cost recognized in 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value calculated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). As of December 31, 2005, all stock options were fully vested and no options were granted during the period ending June 30, 2006; therefore, no stock-based compensation has been recognized in 2006.

In addition, prior to the adoption of SFAS 123(R), the tax benefits of stock options exercised were classified as operating cash flows. Since the adoption of SFAS 123(R), tax benefits resulting from tax deductions in excess of the compensation cost recognized for options are classified as financing cash flows. As the Company adopted the modified-prospective-transition method, the prior period condensed consolidated cash flow statement was not adjusted to reflect current period presentation.

The Company established an Incentive Stock Option Plan (the "Plan") for officers, directors and employees of the Company and reserved 544,840 (amended) shares of common stock for the plan. Both incentive stock options and nonqualified stock options may be granted under the plan. The exercise price of the stock options is determined by the board of directors at the time of grant, but cannot be less than the fair market value of the common stock on the date of grant. The options vest over three and five years. The Company accelerated the vesting of all unvested options in the Plan in 2005, primarily to reduce noncash compensation expense that would have been recorded in its consolidated statements of earnings in future years due to the adoption of SFAS No. 123(R) in January 2006. In accordance with SFAS 123, in 2005 the Company expensed the remaining unrecognized compensation cost associated with these options in the proforma disclosure. The options must be exercised within ten years from the date of grant. At June 30, 2006, 9,240 options were available for grant.

(continued)

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

	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE	WEI AV REM CON T
	-----	-----	---
Outstanding at December 31, 2005	497,640	\$ 7.62	
Exercised	(18,000)	5.77	
Forfeited	(9,240)	9.21	

Outstanding and exercisable at June 30, 2006	470,400	\$ 7.66	7.
	=====	=====	=====

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

The following table illustrates the effect on net earnings and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to options granted under the Company's stock option plan for the three months and six months ended June 30, 2005. For purposes of this pro forma disclosure, the value of the options is estimated using the Black-Scholes option-pricing model and is being amortized to expense over the options' vesting periods. All amounts reflect the 5% stock dividend declared in April, 2006 and paid in June, 2006 (in thousands, except per share data).

	THREE MONTHS ENDED JUNE 30, 2005

Net earnings, as reported	\$ 388
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(44)
Proforma net earnings	\$ 344
	=====
Basic earnings per share:	
As reported	\$.14
	=====
Proforma	\$.12
	=====
Diluted earnings per share:	
As reported	\$.13
	=====
Proforma	\$.12
	=====

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

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May 11, 2006, to be paid on June 11, 2006.

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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 June 30, 2006, and for the three- and six-month periods ended June 30, 2006 and 2005, presented in this document, in accordance with standards established by the Public Company Accounting Oversight Board.

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

OptimumBank Holdings, Inc.
Fort Lauderdale, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of OptimumBank Holdings, Inc. and Subsidiary (the "Company") as of June 30, 2006, and the condensed consolidated statements of earnings for the three- and six-month periods ended June 30, 2006 and 2005 and the related condensed consolidated statements of stockholders' equity and cash flows for the six-month periods ended June 30, 2006 and 2005. These interim financial statements are the responsibility of the Company's management.

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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, 2005, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated March 10, 2006, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Fort Lauderdale, Florida
July 21, 2006

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

COMPARISON OF JUNE 30, 2006 AND DECEMBER 31, 2005

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash during the six months ended June 30, 2006 were from net deposit inflows of approximately \$5.1 million, principal repayments of securities held to maturity of approximately \$1.8 million, cash provided from operating activities of approximately \$3.5 million and increases in Federal Home Loan Bank advances of approximately \$4.5 million. Cash was used primarily for net loan originations of approximately \$9.4 million and purchases of securities of approximately \$4.9 million. At June 30, 2006, the Company had time deposits of approximately \$67.2 million that mature in one year or less. At June 30, 2006, the Company exceeded its regulatory liquidity requirements. Management believes that, if so desired, it can adjust the rates on time deposits to retain or attract deposits in a changing interest-rate environment.

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

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	SIX MONTHS ENDED JUNE 30, 2006 -----	YEAR EN DECEMBER 2005 -----
Average equity as a percentage of average assets	9.16%	9.48
Equity to total assets at end of period	8.95%	8.93
Return on average assets (1)	.96%	.86
Return on average equity (1)	10.53%	9.03
Noninterest expenses to average assets (1)	1.71%	1.82
Nonperforming loans to total assets at end of period	--%	--

(1) Annualized for the six months ended June 30, 2006 and 2005.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. 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

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each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counter party.

A summary of the amounts of the Company's financial instruments, with off-balance sheet risk at June 30, 2006, follows (in thousands):

	CONTRACT AMOUNT
Commitments to extend credit	\$ 9,395
Undisbursed loans in process	\$ 207

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 JUN 2006			
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE
(\$ IN THOUSANDS)				
Interest-earning assets:				
Loans	\$ 173,395	\$ 3,081	7.11%	\$ 145,000
Securities	24,635	275	4.47	30,400
Other (1)	3,173	44	5.55	2,800
Total interest-earning assets/interest income	201,203	3,400	6.76	178,300
Cash and due from banks	277	--	--	2,000
Premise and equipment	4,044	--	--	4,100
Other	2,251	--	--	5,400
Total assets	\$ 207,775	--	--	\$ 188,100
Interest-bearing liabilities:				
Savings, NOW and money-market deposits	8,580	42	1.96	7,600

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Time deposits	108,842	1,160	4.26	98,5
Borrowings (2)	67,131	679	4.05	61,1
	-----	-----		-----
Total interest-bearing liabilities/ interest expense	184,553	1,881	4.08	167,2

Noninterest-bearing demand deposits	884	--	--	1,0
Other liabilities	2,964	--	--	2,3
Stockholders' equity	19,374	--	--	17,3
	-----			-----
Total liabilities and stockholders' equity	\$ 207,775	--	--	\$ 188,1
	=====			=====
Net interest income	--	\$ 1,519	--	
		=====		
Interest-rate spread (3)	--	--	2.68%	
			=====	
Net interest margin (4)	--	--	3.02%	
			=====	
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 agreements to repurchase and junior subordinated debenture.

(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(4) Net interest margin is net interest income divided by average interest-earning assets. OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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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.

SIX MONTHS ENDED JUNE 30			

2006			

AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE

(\$ IN THOUSANDS)

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Interest-earning assets:				
Loans	\$ 172,791	\$ 6,091	7.05%	\$ 135,5
Securities	25,020	562	4.49	28,7
Other (1)	3,349	89	5.32	4,5
	-----	-----		-----
Total interest-earning assets/interest income	201,160	6,742	6.70	168,8

Cash and due from banks	313	--	--	4
Premise and equipment	4,055	--	--	2,8
Other	2,431	--	--	5,0

Total assets	\$ 207,959	--	--	\$ 177,1
	=====			=====
Interest-bearing liabilities:				
Savings, NOW and money-market deposits	7,948	65	1.64	7,8
Time deposits	108,606	2,249	4.14	94,2
Borrowings (2)	68,692	1,386	4.04	54,5
	-----	-----		-----
Total interest-bearing liabilities/ interest expense	185,246	3,700	4.00	156,5
Noninterest-bearing demand deposits	887	--	--	1,0
Other liabilities	2,768	--	--	2,2
Stockholders' equity	19,058	--	--	17,1
	-----			-----
Total liabilities and stockholders' equity	\$ 207,959	--	--	\$ 177,1
	=====			=====
Net interest income	--	\$ 3,042	--	
		=====		
Interest-rate spread (3)	--	--	2.70%	
			=====	
Net interest margin (4)	--	--	3.02%	
			=====	
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 agreements to repurchase and junior subordinated debenture.
 - (3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
 - (4) Net interest margin is net interest income divided by average interest-earning assets.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

COMPARISON OF THE THREE-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

GENERAL. Net earnings for the three months ended June 30, 2006, were \$486,000 or \$.17 per basic and \$.16 per diluted share compared to net earnings of

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\$388,000 or \$.14 per basic and \$.13 per diluted share for the period ended June 30, 2005. This increase in the Company's net earnings was primarily due to an increase in net interest income.

INTEREST INCOME. Interest income increased to \$3.4 million for the three months ended June 30, 2006 from \$2.8 million for the three months ended June 30, 2005. Interest income on loans increased to \$3.1 million due primarily to an increase in the average loan portfolio balance for the three months ended June 30, 2006, and an increase in the average yield earned from 6.69% for the three months ended June 30, 2005 to 7.11% for the three months ended June 30, 2006. Interest on securities decreased to \$275,000 due primarily to a decrease in the average balance of the securities portfolio in 2006.

INTEREST EXPENSE. Interest expense on deposits increased to \$1,202,000 for the three months ended June 30, 2006, from \$892,000 for the three months ended June 30, 2005. Interest expense increased primarily because of an increase in the average balance and the average rate paid on deposits during 2006. Interest expense on borrowings increased to \$679,000 for the three months ended June 30, 2006 from \$531,000 for the three months ended June 30, 2005 due to an increase in the average balance of borrowings and an increase in the average rate paid on borrowings during 2006.

PROVISION FOR LOAN LOSSES. The provision for loan losses is charged to earnings to bring the total allowance to a level deemed appropriate by management and is based upon historical experience, the volume and type of lending conducted by the Company, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market areas, and other factors related to the estimated collectibility of the Company's loan portfolio. The provision for the three months ended June 30, 2006, was \$27,000 compared to \$112,000 for the same period in 2005. Management believes the balance in the allowance for loan losses of \$910,000 at June 30, 2006, is adequate.

NONINTEREST INCOME. Total noninterest income decreased to \$180,000 for the three months ended June 30, 2006, from \$221,000 for the three months ended June 30, 2005, primarily due to a decrease in loan prepayment fees, partially offset by receiving a litigation settlement.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$892,000 for the three months ended June 30, 2006 from \$855,000 for the three months ended June 30, 2005, primarily due to the continued growth of the Company.

INCOME TAXES. Income taxes for the three months ended June 30, 2006, were \$294,000 (an effective rate of 37.7%) compared to income taxes of \$239,000 (an effective rate of 38.1%) for the three months ended June 30, 2005.

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OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

COMPARISON OF THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

GENERAL. Net earnings for the six months ended June 30, 2006, were \$1,003,000 or \$.36 per basic and \$.34 per diluted share compared to net earnings of \$772,000 or \$.28 per basic and \$.27 per diluted share for the period ended June 30, 2005. This increase in the Company's net earnings was primarily due to an increase in net interest income.

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INTEREST INCOME. Interest income increased to \$6.7 million for the six months ended June 30, 2006 from \$5.2 million for the six months ended June 30, 2005. Interest income on loans increased to \$6.1 million due primarily to an increase in the average loan portfolio balance for the six months ended June 30, 2006 and an increase in the average yield earned from 6.64% for the six months ended June 30, 2005 to 7.05% for the six months ended June 30, 2006. Interest on securities decreased to \$562,000 due primarily to a decrease in the average balance of the securities portfolio in 2006.

INTEREST EXPENSE. Interest expense on deposits increased to \$2.3 million for the six months ended June 30, 2006, from \$1.7 million for the six months ended June 30, 2005. Interest expense increased primarily because of an increase in the average balance and the average rate paid on deposits during 2006. Interest expense on borrowings increased to \$1.4 million for the six months ended June 30, 2006 from \$947,000 for the six months ended June 30, 2005 due to an increase in the average balance of borrowings and an increase in the average rate paid on borrowings during 2006.

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 six months ended June 30, 2006, was \$133,000 compared to \$145,000 for the same period in 2005. Management believes the balance in the allowance for loan losses of \$910,000 at June 30, 2006, is adequate.

NONINTEREST INCOME. Total noninterest income decreased to \$452,000 for the six months ended June 30, 2006, from \$479,000 for the six months ended June 30, 2005, primarily due to a decrease in loan prepayment fees partially offset by an increase in gains recognized on the payoff of Federal Home Loan Bank advances and due to receiving a litigation settlement.

NONINTEREST EXPENSES. Total noninterest expenses increased to \$1.8 million for the six months ended June 30, 2006 from \$1.7 million for the six months ended June 30, 2005, primarily due to the continued growth of the Company.

INCOME TAXES. Income taxes for the six months ended June 30, 2006, were \$581,000 (an effective rate of 36.7%) compared to income taxes of \$472,000 (an effective rate of 37.9%) for the six months ended June 30, 2005.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

ITEM 3. CONTROLS AND PROCEDURES

- a. Evaluation of Disclosure Controls and Procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those

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controls and procedures performed within 90 days of the filing date of this report, the chief executive and principal accounting officers of the Company concluded that the Company's disclosure controls and procedures were adequate.

- b. Changes in Internal Controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive and principal accounting officers.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of the Shareholders (the "Annual Meeting") of OptimumBank was held on April 27, 2006, to consider the election of directors each for a term of one year.

At the Annual Meeting, 2,204,766 shares were present in person or by proxy. The following is a summary and tabulation of the matters that were voted upon at the Annual Meeting:

Proposal I

The election of directors each for a term of one year is as follows:

	FOR	WITHHELD
Albert J. Finch	2,204,686	80
	=====	=====
Richard L. Browdy	2,204,686	80
	=====	=====
Michael Bedzow	2,204,686	80
	=====	=====
Sam Borek	2,203,766	1,000
	=====	=====
Irving P. Cohen	2,204,686	80
	=====	=====
Gordon Deckelbaum	2,204,686	80
	=====	=====
H. David Krinsky	2,203,686	1,080
	=====	=====
Wendy Mitchler	2,204,686	80
	=====	=====
Larry R. Willis	2,203,686	1,080
	=====	=====

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

The following exhibits are filed with or incorporated by reference into this report. The exhibits denominated by (i) an asterisk (*) were previously filed as a part of a Registration Statement on Form 10-SB under the Exchange Act, filed with the Federal Deposit Insurance Corporation on March 28, 2003; (ii) a double asterisk (**) were previously filed as a part of an Annual Report on Form 10-KSB filed with the Securities and Exchange Commission ("SEC") on March 30, 2004; (iii) a triple asterisk (***) were previously filed as part of a current report on Form 8-K filed with the SEC on May 11, 2004; and (iv) a quadruple asterisk (****) were previously filed as part of a Quarterly Report on Form 10-QSB filed with the SEC on August 12, 2004; (v) a quintuple asterisk (*****) were previously filed as part of an Annual Report on Form 10-KSB filed with the SEC on March 31, 2005; and (vi) a sextuple asterisk (*****) were previously filed as part of an Annual Report on Form 10-KSB filed with the SEC on March 31, 2006.

EXHIBIT NO. -----	DESCRIPTION -----
** 2.1	Agreement and Plan of Reorganization between OptimumBank and OptimumBank Holdings, Inc. dated March 23, 2004
*** 3.1	Articles of Incorporation
*** 3.3	Bylaws
**** 4.1	Form of stock certificate
***** 10.1	Amended and Restated Stock Option Plan
* 10.2	Non-employee Directors' Fee Compensation and Stock Purchase Plan
* 10.3	Agreement between OptimumBank, Albert J. Finch and Richard L. Browdy dated June 14, 2002
**** 14.1	Code of Ethics for Chief Executive Officer and Senior Financial Officers
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Chief Executive Officer under ss.906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer under ss.906 of the Sarbanes-Oxley Act of 2002

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

PART II. OTHER INFORMATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OPTIMUMBANK HOLDINGS, INC.
(Registrant)

Date: August 11, 2006

By: /s/ Albert J. Finch

Albert J. Finch,
Chief Executive Officer

Date: August 11, 2006

By: /s/ Richard L. Browdy

Richard L. Browdy,
Chief Financial Officer