OptimumBank Holdings, Inc.
Form 10-K
April 02, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

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

For the fiscal year ended December 31, 2014

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)	(I.R.S. Employer Identification No.)

2477 East Commercial Blvd., Fort Lauderdale, FL 33308

(Address of principal executive offices)

Registrant's telephone number, including area code: **(954) 900-2800**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1993. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K.

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant (6,462,927 shares) on December 31, 2014, was approximately $9,694,000, computed by reference to the closing market price at $1.50 per share as of June 30, 2014. For purposes of this information, the outstanding shares of common stock owned by directors and executive officers of the registrant were deemed to be shares of common stock held by affiliates.

The number of shares of common stock, par value $0.01 per share, of the registrant outstanding as of March 15, 2015 was 9,527,459 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 2015, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the issuer's fiscal year end are incorporated by reference into Part III, Items 10 through 14, of this Annual Report on Form 10-K.

Table of Contents

PART I

Item 1. Business

Forward-Looking Statements

We have made forward-looking statements in this Annual Report about the financial condition, results of operations, and business of our company. These statements are not historical facts and include expressions concerning the future that are subject to risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among other things, the following possibilities:

- general economic conditions, either nationally or regionally, that are less favorable than expected resulting in, among other things, a deterioration in credit quality and an increase in credit risk-related losses and expenses;
- changes in the interest rate environment that reduce margins;
- competitive pressure in the banking industry that increases significantly;
- changes that occur in the regulatory environment; and
- changes that occur in business conditions and the rate of inflation.

When used in this Annual Report, the words “believes,” “estimates,” “plans,” “expects,” “should,” “may,” “might,” “outlook,” “anticipates,” as well as similar expressions, as they relate to OptimumBank Holdings, Inc., or its management, are intended to identify forward-looking statements.

General

OptimumBank Holdings, Inc. is a Florida corporation (the “Company”) formed in 2004 as a bank holding company for OptimumBank (the “Bank”). The Company’s only business is the ownership and operation of the Bank and its Bank’s subsidiaries. The Bank is a Florida state chartered bank established in 2000, with deposits insured by the Federal

Deposit Insurance Corporation ("FDIC"). The Bank offers a variety of community banking services to individual and corporate customers through its three banking offices located in Broward County, Florida. The Bank has 19 wholly-owned subsidiaries primarily engaged in holding and disposing of foreclosed real estate and one subsidiary primarily engaged in managing foreclosed real estate.

The Company is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). OptimumBank is subject to the supervision and regulation of the State of Florida Office of Financial Regulation ("OFR") and the FDIC. OptimumBank is a member of the Federal Home Loan Bank of Atlanta.

At December 31, 2014, the Company had total assets of $124.5 million, net loans of $75.8 million, total deposits of $91.6 million and stockholders' equity of $3.0 million. During 2014, the Company earned $1.6 million.

1

Recent Developments

Consent Order, Amended Consent Order, and Written Agreement.

On April 16, 2010, the Bank agreed to the issuance of the Consent Order by the FDIC and the OFR (the "Consent Order"), which required the Bank to take certain measures to improve its safety and soundness. Pursuant to the Consent Order, the Bank was required to take certain measures to improve its capital position, reduce its level of problem assets, reduce its loan concentrations in certain portfolios, improve management practices and board supervision and assure that its allowance for loan losses is maintained at an appropriate level. Among the corrective actions required were for the Bank to have and maintain a Tier 1 leverage ratio of at least 8% and a total risk-based capital ratio of 12% beginning 90 days from the issuance of the Consent Order. Effective February 28, 2014, the Bank agreed to the issuance of an Amended Consent Order by the FDIC and the OFR.

In addition to the Consent Order, on June 22, 2010, the Company entered into a Written Agreement, with the Federal Reserve Bank of Atlanta, which required the Company to take certain measures to ensure the Bank complied with the Consent Order. Under the Written Agreement, the Company is subject to restrictions on paying interest on debt, or paying dividends or distributions of stock, including its common stock, as well as incurring additional debt or redeeming stock. Additional details on the Consent Order and the Written Agreement are contained in "Business-Supervision and Regulation- Consent Order- and -Written Agreement."

At December 31, 2014, the Bank had a Tier 1 leverage ratio of 6.95%, and a total risk-based capital ratio of 10.67%. At December 31, 2014, the Bank would have needed approximately $1.2 million in additional capital in order to comply with the total risk-based capital ratio requirement of the Consent Order. Additional information on the Bank's capital adequacy is contained in "Item 7- Management's Discussion and Analysis of Results of Operations and Financial Condition."

The Company is in technical default with respect to its $5,155,000 Junior Subordinated Debenture ("Debenture"). The holders of the debenture could demand payment of the $5,155,000 principal balance plus accrued and unpaid interest totaling $793,000 at December 31, 2004. No adjustments to the accompanying consolidated financial statements have been made as a result of this uncertainty. Management's plans with regard to this matter are as follows: A director of the Company has agreed to purchase the Debenture and has agreed to provide a forbearance of the payment to the Company upon consummation of the purchase. Although the agreed upon purchase price for the Debenture has been tendered, the Trustee of the Debenture (the "Trustee") has received conflicting direction and therefore on December 11, 2014, the Trustee commenced an Action for Interpleader in the United States District Court for the Southern District of New York (the "Debenture Litigation"). Based upon the underlying Debenture documents, Management does not believe the Trustee will call a Default at this time, absent a ruling by the Court in the Debenture Litigation.

Banking Products

The Bank's revenues are primarily derived from interest on, and fees received in connection with, real estate, and other loans, and from interest from mortgage-backed securities and short-term investments. The principal sources of funds for the Bank's lending activities are deposits, borrowings, repayment of loans, and the repayment, or maturity of investment securities. The Bank's principal expenses are the interest paid on deposits, and operating and general administrative expenses.

As is the case with banking institutions generally, the Bank's operations are materially and significantly influenced by general economic conditions and by related monetary and fiscal policies of financial institution regulatory agencies, including the Federal Reserve and the FDIC. Deposit flows and costs of funds are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn is affected by the interest rates at which such financing may be offered and other factors affecting local demand and availability of funds. The Bank faces strong competition attracting deposits (its primary source of lendable funds) and originating loans.

The Bank provides a range of consumer and commercial banking services to individuals and businesses. The basic services offered include: demand interest-bearing and noninterest-bearing accounts, money market deposit accounts, NOW accounts, time deposits, Visa debit and ATM cards, cash management, direct deposits, notary services, money orders, night depository, cashier’s checks, domestic collections, drive-in tellers, and banking by mail. The Bank makes residential and commercial real estate loans and consumer loans. The Bank offers business lending lines for working capital needs. Growing businesses can use the loans to expand inventory, take discounts, offset receivables, or establish new structured financing and repayment plans that are consistent with the cash flow of the business. The Bank provides ATM cards and Visa debit cards, as a part of the Star, Presto and Cirrus networks, thereby permitting customers to utilize the convenience of ATMs worldwide. The Bank does not have trust powers and provides no trust services.

Strategy

The Bank's continuing goal is to become one of the leading community banking organizations in Broward County, Florida through steady, reasonable and controlled growth and a prudent operating strategy.

The operating and business strategies emphasize the following:

- **Local management and local decision making resulting in rapid, personalized customer service, rapid credit decisions and expedited closings;**

- **Maintaining a presence in Broward County through a branch network. Currently, the Bank has three branch banking offices in Broward County;**

- **Real estate, commercial and consumer lending activities by originating fixed and adjustable rate residential and commercial mortgage loans, commercial loans, and consumer loans for Bank customers;**

- **Maintaining high credit quality through strict underwriting criteria through the Bank's knowledge of the real estate values and borrowers in its market area;**

- **Personalized products and service by striving to provide innovative financial products, high service levels and to maintain strong customer relationships. The Bank seeks customers who prefer to conduct business with a locally owned and managed institution.**

The Bank's management is focusing its efforts on a long-term strategy with the following objectives:

- **Stabilize the Loan Portfolio- Management devotes significant resources to the identification and workout of problem loans and has been successful in reducing same.**

• **Increase and Diversify Loan Originations- Management is focused on increasing its loan production to add more interest bearing assets and interest income to its asset base and has increased same. In addition, management is diversifying its loan originations and portfolio to include commercial and consumer loans, in addition to residential and commercial real estate loans.**

• **Lower the Cost of Deposits- Management is focused on changing the Bank's deposit mix by replacing higher cost interest bearing time deposits with non-interest bearing demand deposits, which has occurred.**

• **Increase Capital Ratios- Management continues to seek additional sources of capital to increase the Bank's capital ratios, allow the Bank to grow, implement its business plan and return to profitability.**

Lending Activities

The Bank offers real estate, commercial and consumer loans, to individuals and small businesses and other organizations that are located in or conduct a substantial portion of their business in its market area. The Bank's market area consists of the tri-county area of Broward, Miami-Dade and Palm Beach counties. The Bank's net loans at December 31, 2014 were $75.8 million, or 60.9% of total assets. The interest rates charged on loans varied with the degree of risk, maturity, and amount of the loan, and are further subject to competitive pressures, money market rates, availability of funds, and government regulations. The Bank has no foreign loans.

The Bank's loan portfolio is concentrated in two major areas: residential and commercial real estate loans. As of December 31, 2014, 77.9% of the loan portfolio consisted of loans secured by mortgages on real estate, of which approximately 27.3% of the total loan portfolio was secured by one-to-four family residential properties. The real estate loans are located primarily in the tri-county market area.

The Bank's real estate loans are secured by mortgages and consist primarily of loans to individuals and businesses for the purchase or improvement of, or investment in, real estate. These real estate loans were made at fixed or variable interest rates and are normally adjustable rate mortgages which adjust annually after the initial three to five year period. The Bank's fixed rate loans generally are for terms of five years or less, and are repayable in monthly installments based on a maximum 30-year amortization schedule.

Loan originations are derived primarily from director and employee referrals, existing customers, and direct marketing. Certain credit risks are inherent in making loans. These include prepayment risks, risks resulting from uncertainties in the future value of collateral, risks resulting from changes in economic and industry conditions including interest rates, and risks inherent in dealing with individual borrowers. A significant portion of the Bank's portfolio is collateralized by real estate in South Florida, which is susceptible to local economic downturns. The Bank attempts to minimize credit losses through various means. On larger credits, it relies on the cash flow and assets of a debtor as the source of repayment as well as the value of the underlying collateral. The Bank also generally limits its loans to up to 80% of the value of the underlying real estate collateral. The Bank generally charge a prepayment penalty if a loan is repaid within the first two to three years of origination to recover any fees it paid for the origination of the loan.

Deposit Activities

Deposits are the major source of the Bank's funds for lending and other investment activities. The Bank considers the majority of its regular savings, demand, NOW, money market deposit accounts and CD's under $100,000 to be core deposits. These accounts comprised approximately 80.0% of the Bank's total deposits at December 31, 2014. Approximately 63.4% of the deposits at December 31, 2014 were certificates of deposit. Generally, the Bank attempts to maintain the rates paid on its deposits at a competitive level. Time deposits of $100,000 and over made up approximately 20.0% of the Bank's total deposits at December 31, 2014. Although these large deposits are not traditionally considered core deposits, the majority of these deposits have served as a stable source of funds in the Bank's targeted market. The majority of the deposits are generated from Broward County.

Investments

The Bank's investment securities portfolio was approximately $26.7 million and $23.0 million at December 31, 2014 and 2013, respectively, representing 21.5% and 17.8% of its total assets. At December 31, 2014, approximately 44.9% of this portfolio was invested in U.S. government agency securities and 55.1% of this portfolio was invested in mortgage-backed securities. Mortgage backed securities generally have a shorter life than the stated maturity. The Bank's investments are managed in relation to loan demand and deposit growth, and are generally used to provide for the investment of excess funds at minimal risk levels while providing liquidity to fund increases in loan demand or to offset fluctuations in deposits.

The Excess Balance Account is the excess cash the Bank has available over and above daily cash needs. This money is invested on an overnight basis with the Federal Reserve.

Correspondent Banking

Correspondent banking involves one bank providing services to another bank which cannot provide that service for itself from an economic or practical standpoint. OptimumBank is required to purchase correspondent services offered by larger banks, including check collections, purchase of federal funds, security safekeeping, investment services, coin and currency supplies, and sales of loans to or participations with correspondent banks.

OptimumBank has established a correspondent relationship with Independent Bankers Bank of Florida. The Bank pays for such services in cash as opposed to keeping compensating balances. The Bank also sells loan participations to other banks with respect to loans which exceed its lending limit.

Data Processing

The Bank outsources most of its data processing services, including an automated general ledger and deposit accounting; however, it services all its loans in-house.

Internet Banking

The Bank maintains a website at *www.optimumbank.com* where retail and business customers can access account balances, view current account activity and their previous statement, view images of paid checks, transfer funds between accounts, and bill payment. The Bank now offers its retail customers mobile access to their account information, with the option to setup alerts, deposit checks across a broad range of phones and mobile devices. The Bank now offers its business customers remote deposit capture and online cash management services that include ACH origination and wire transfers using token technology for security.

Competition

OptimumBank encounters strong competition both making loans and attracting deposits. The deregulation of the banking industry and the widespread enactment of state laws which permit multi-bank holding companies as well as an increasing level of interstate banking have created a highly competitive environment for commercial banking. In one or more aspects of its business, OptimumBank competes with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies, and other financial intermediaries. Most of these competitors, some of which are affiliated with bank holding companies, have substantially greater resources and lending limits, and may offer certain services that OptimumBank does not currently provide. In addition, many of its non-bank competitors are not subject to the same extensive federal regulations that govern federally insured banks. Recent federal and state legislation has heightened the competitive environment in which financial institutions must conduct their business, and the potential for competition among financial institutions of all types has increased significantly. The Bank focuses its efforts on smaller loans, which is generally neglected by its competitors.

To compete, OptimumBank relies upon specialized services, responsive handling of customer needs, and personal contacts by its officers, directors, and staff. Large multi-branch banking competitors tend to compete primarily by rate and the number and location of branches while smaller, independent financial institutions tend to compete primarily by rate and personal service.

Employees

As of December 31, 2014, the Bank had seventeen full-time employees, including executive officers. These employees are not represented by a collective bargaining unit. The Bank considers its relations with employees good.

Supervision and Regulation

Banks and their holding companies are extensively regulated under both federal and state law. The following is a brief summary of certain statutes, rules, regulations and enforcement actions affecting OptimumBank Holdings, Inc. and OptimumBank. This summary is qualified in its entirety by reference to the particular statutory and regulatory provisions referred to below and is not intended to be an exhaustive description of the statutes or regulations applicable to the business of the Company or the Bank. Supervision, regulation, and examination of banks by regulatory agencies are intended primarily for the protection of depositors, rather than shareholders.

***Consent Order, Amended Consent Order*.** In 2008, the Company and the Bank began to experience a substantial increase in impaired and non-performing loans and associated credit losses due to the nationwide economic recession and the related drop in real estate values in south Florida. As a result, the Company's net income for 2008 was only $520,000. These trends continued in 2009 and 2010, with the result that the Company and the Bank sustained net losses of $11.5 million in 2009 and $8.5 million in 2010, primarily from significant increases in the provision for loan losses. These operating losses have eroded OptimumBank's regulatory capital and weakened its financial condition. As a result of these losses and other related operating issues, on April 16, 2010, OptimumBank agreed to enter into a Consent Order with the FDIC and Florida Office of Financial Regulation, and, on June 22, 2010, the Company was required to enter into a Written Agreement with the Federal Reserve Bank of Atlanta, or Federal Reserve. Effective February 28, 2014, the Bank agreed to the issuance of an Amended Consent Order by the FDIC and the OFR.

The Amended Consent Order imposes a number of requirements on the Bank intended to improve the Bank's condition, including a requirement that the Bank maintain a ratio of Tier 1 capital to adjusted total assets (the "Tier 1 Leverage Ratio") of 8.0%, and a ratio of total risk based capital to risk-weighted assets of 12.0% (the "Total Risk Based Capital Ratio"). On December 31, 2014, the Bank had a Tier 1 Leverage ratio of 6.95% and a Total Risk Based Capital Ratio of 10.67%.

The Amended Consent Order contains the following required actions:

- **Board shall increase its participation in the affairs of the Bank, consistent with the role and expertise commonly expected for directors of banks of comparable size**

- **Appoint a Directors Compliance Committee to oversee the Bank's Compliance with the Amended Order**

6

- **The Board should serve as loan committee or appoint a loan committee to perform the functions as outlined in the Amended Order**
- **Develop, adopt & implement a written policy to govern the relationship between bank and Holding Company**
- **Have and retain qualified bank management at the CEO, CLO and COO positions**
- **Charge off assets classified as a loss and 50% of assets classified as doubtful at last exam**
- **Revise internal loan review & grading system criticisms identified in the 2013 Report of Exam**
- **Implement written policy to provide control over lending & credit administration functions**
- **Implement a written plan and comprehensive budget for 2014**
- **Implement a written plan to improve liquidity, contingency funding, interest rate risk and asset liability management**
- **Review the liquidity position to ensure sufficient liquid assets or sources of liquidity**
- **Revise & implement a written policy managing interest rate risk**
- **Revise internal audit program to address recommendations in the 2013 Report of Exam**
- **Make no brokered deposits**
- **Make no distributions of dividends, pay bonus, or other form of payment resulting in a reduction of capital, without supervisory approval**
- **Eliminate/correct all violations & contraventions identified in the 2013 Report of Exam**
- **Ensure all call reports are reviewed and amended as necessary**

- **Notify regulators within ten days of director/executive management termination/resignation**
- **No additional credit to a borrower who has been charged off or is classified**
- **Correct cited deficiencies in loans listed as "Special Mention" in the 2013 Report of Exam**
- **Correct ALLL ASC 450 application criticisms identified in the 2013 Repot of Exam**
- **Submit written Business/Strategic Plan**
- **Adopt & implement a policy for the safe & sound operation of the Bank in such a manner as to provide adequate internal routines and controls.**
- **Develop, adopt & implement a written plan to ensure three-fifth of the board is comprised of Florida residents**
- **Add two new independent directors**
- **Develop, adopt & implement policy to bring attention to conflicts of interest on new loans**
- **Bank to formulate & approve a written Board & Management Plan based on an assessment of Board and Management needs by a supervisory approved consultant**
- **Submit a written Capital Plan to increase capital ratios to 8% and 12%**
- **Submit a written plan to reduce the remaining assets classified in the 2013 Report of Exam**

- **Perform a risk segmentation analysis and submit a revised written plan for monitoring the bank's Commercial Real Estate portfolio**

- **Obtain adequate & current documentation for all loans in the portfolio**

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.

Written Agreement with the Federal Reserve. The Written Agreement between the Company and the Federal Reserve requires the Company to serve as a source of strength to certain aspects of the capitalization, operation and management of the Bank. The Company also agreed that while the Written Agreement remains in effect, without prior approval of the Federal Reserve, it will not:

- declare or pay dividends.

- directly or indirectly take dividends or any other form of payment representing a reduction in capital from OptimumBank.

- make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities.

- incur, increase, or guarantee any debt or purchase or redeem any shares of its stock.

- appoint any new director or senior executive officer, or change the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position.

Management believes that the Company is in substantial compliance with all the provisions of the Written Agreement with the Federal Reserve.

Dodd-Frank Act. On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, into law. The Dodd-Frank Act will have a broad impact on the financial services industry, including potentially significant regulatory and compliance changes including, among other things, (1) enhanced resolution authority of troubled and failing banks and their holding companies; (2) potential changes to capital and liquidity requirements; (3) changes to regulatory examination fees; (4) changes to assessments to be paid to the FDIC for federal deposit insurance; and (5) numerous other provisions designed to improve supervision and oversight of, and strengthening safety and soundness for, the financial services sector. Additionally, the Dodd-Frank Act establishes a new framework for systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, the Board of Governors of the Federal Reserve System, or the Federal Reserve, the Office of the Comptroller of the Currency, or the OCC, and the Federal Deposit Insurance Corporation, or the FDIC. Many of the requirements called for in the Dodd-Frank Act will be implemented over time and most will be subject to implementing regulations over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on the Bank’s operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of the Bank’s business activities, require changes to certain of its business practices, impose upon it more stringent capital, liquidity and leverage ratio requirements or otherwise adversely affect the Bank’s business. These changes may also require the Bank to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements. Failure to comply with any such laws, regulations, or principles or changes thereto, may negatively impact the Bank’s results of operations and financial condition. While the Bank cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on it, these changes could be materially adverse to its investors and shareholders.

The following items provide a brief description of the impact of the Dodd-Frank Act on the Bank’s operations and activities, both currently and prospectively.

Increased Capital Standards and Enhanced Supervision. The federal banking agencies are required to establish minimum leverage and risk-based capital requirements for banks and bank holding companies. These new standards will be no lower than existing regulatory capital and leverage standards applicable to insured depository institutions and may, in fact, be higher when established by the agencies. Compliance with heightened capital standards may reduce the Bank’s ability to generate or originate revenue-producing assets and thereby restrict revenue generation from banking and non-banking operations. The Dodd-Frank Act also increases regulatory oversight, supervision and examination of banks, bank holding companies and their respective subsidiaries by the appropriate regulatory agency. Compliance with new regulatory requirements and expanded examination processes could increase the Company’s cost of operations.

The Consumer Financial Protection Bureau. The Dodd-Frank Act creates a new, independent Consumer Financial Protection Bureau, or the Bureau, within the Federal Reserve. The Bureau is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The Bureau has rulemaking authority over many of the statutes governing products and services offered to bank consumers. Generally, we will not be directly subject to the rules and regulations of the Bureau. However, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the Bureau and state attorneys general are permitted to enforce consumer protection rules adopted by the Bureau against certain state-chartered institutions. Any such new regulations could increase the cost of operations and, as a result, could limit the Bank's ability to expand into these products and services.

Deposit Insurance. The Dodd-Frank Act makes permanent the $250,000 deposit insurance limit for insured deposits. Amendments to the Federal Deposit Insurance Act also revise the assessment base against which an insured depository institution's deposit insurance premiums paid to the FDIC's Deposit Insurance Fund, or the DIF, will be calculated. Under the amendments, the assessment base will no longer be the institution's deposit base, but rather its average consolidated total assets less its average tangible equity. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15 percent to 1.35 percent of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. Several of these provisions could increase the FDIC deposit insurance premiums paid by us. The Dodd-Frank Act also provides that, effective one year after the date of enactment, depository institutions may pay interest on demand deposits.

Transactions with Affiliates. The Dodd-Frank Act enhances the requirements for certain transactions with affiliates under Sections 23A and 23B of the Federal Reserve Act, including an expansion of the definition of "covered transactions" and increasing the amount of time for which collateral requirements regarding covered transactions must be maintained.

Transactions with Insiders. Insider transaction limitations are expanded through the strengthening on loan restrictions to insiders and the expansion of the types of transactions subject to the various limits.

Enhanced Lending Limits. The Dodd-Frank Act strengthens the existing limits on a depository institution's credit exposure to one borrower. Current banking law limits a depository institution's ability to extend credit to one person (or group of related persons) in an amount exceeding certain thresholds. The Dodd-Frank Act expands the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions.

Company Regulation

General. As a bank holding company registered under the Bank Holding Company Act of 1956 (the “BHCA”), OptimumBank Holdings, Inc. is subject to the regulation and supervision of, and inspection by, the Federal Reserve Board (“Federal Reserve”). The Company is also required to file with the Federal Reserve annual reports and other information regarding its business operations, and those of its subsidiaries. In the past, the BHCA limited the activities of bank holding companies and their subsidiaries to activities which were limited to banking, managing or controlling banks, furnishing services to or performing services for their subsidiaries or engaging in any other activity which the Federal Reserve determined to be so closely related to banking or managing or controlling banks as to be properly incidental thereto. Under the Gramm-Leach-Bliley Financial Modernization Act of 1999 which is discussed below, bank holding companies now have the opportunity to seek broadened authority, subject to limitations on investment, to engage in activities that are “financial in nature” if all of their subsidiary depository institutions are well capitalized, well managed, and have at least a satisfactory rating under the Community Reinvestment Act, which is also discussed below.

In this regard, the BHCA prohibits a bank holding company, with certain limited exceptions, from (i) acquiring or retaining direct or indirect ownership or control of more than 5% of the outstanding voting stock of any company which is not a bank or bank holding company, or (ii) engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or performing services for its subsidiaries, unless such non-banking business is determined by the FRB to be so closely related to banking or managing or controlling banks as to be properly incident thereto. In making such determinations, the FRB is required to weigh the expected benefit to the public, such as greater convenience, increased competition or gains in efficiency, against the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Generally, bank holding companies, such as OptimumBank Holdings, Inc., are required to obtain prior approval of the Federal Reserve to engage in any new activity not previously approved by the Federal Reserve.

Change of Control. The BHCA also requires that every bank holding company obtain the prior approval of the Federal Reserve before it may acquire all or substantially all of the assets of any bank, or ownership or control of any voting shares of any bank, if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. In approving bank acquisitions by bank holding companies, the Federal Reserve is required to consider the financial and managerial resources and future prospects of the bank holding company and the banks concerned, the convenience and needs of the communities to be served, including the parties' performance under the Community Reinvestment Act (discussed below) and various competitive factors. As described in greater detail below, pursuant to the Riegle-Neal Interstate Banking and Branch Efficiency Act of 1994 (the "Interstate Banking and Branching Act"), a bank holding company is permitted to acquire banks in states other than its home state.

The BHCA further prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve Bank has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company. In addition, any person or group of persons must obtain the approval of the Federal Reserve under the BHCA before acquiring 25% (5% in the case of an acquirer that is already a bank holding company) or more of the outstanding common stock of a bank holding company, or otherwise obtaining control or a "controlling influence" over the bank holding company.

Interstate Banking and Branching. The Interstate Banking and Branching Act provides for nationwide interstate banking and branching. Under the law, interstate acquisitions of banks or bank holding companies in any state by bank holding companies in any other state are permissible subject to certain limitations. Florida also has a law that allows out-of-state bank holding companies (located in states that allow Florida bank holding companies to acquire banks and bank holding companies in that state) to acquire Florida banks and Florida bank holding companies. The law essentially provides for out-of-state entry by acquisition only (and not by interstate branching) and requires the acquired Florida bank to have been in existence for at least three years. Interstate branching and consolidation of existing bank subsidiaries in different states is permissible. A Florida bank also may establish, maintain, and operate one or more branches in a state other than Florida pursuant to an interstate merger transaction in which the Florida bank is the resulting bank.

Financial Modernization. The Gramm-Leach-Bliley Act of 1999 (the "GLB Act") sought to achieve significant modernization of the federal bank regulatory framework by allowing the consolidation of banking institutions with other types of financial services firms, subject to various restrictions and requirements. In general, the GLB Act repealed most of the federal statutory barriers which separated commercial banking firms from insurance and securities firms and authorized the consolidation of such firms in a "financial services holding company." We have no current plans to utilize the structural options created by the GLB Act.

Securities Regulation and Corporate Governance. The Company's common stock is registered with the Securities and Exchange Commission (the "SEC") under Section 12(g) of the Securities Exchange Act of 1934, and we are subject to restrictions, reporting requirements and review procedures under federal securities laws and regulations. The

Company is also subject to the rules and reporting requirements of the NASDAQ Global Market, on which its common stock is traded. Like other issuers of publicly traded securities, the Company must also comply with the corporate governance reforms enacted under the Sarbanes-Oxley Act of 2002 ("The Sarbanes-Oxley Act") and the rules of the SEC and NASDAQ Stock Market adopted pursuant to the Sarbanes Oxley Act. Among other things, these reforms, effective as of various dates, require certification of financial statements by the chief executive officer and chief financial officer, prohibit the provision of specified services by independent auditors, require pre-approval of independent auditor services, define director independence and require certain committees, and a majority of a subject company's board of directors, to consist of independent directors, establish additional disclosure requirements in reports filed with the SEC, require expedited filing of reports, require management evaluation and auditor attestation of internal controls, prohibit loans by the issuer (but not by certain depository institutions) to directors and officers, set record-keeping requirements, mandate complaint procedures for the reporting of accounting and audit concerns by employees, and establish penalties for non-compliance.

Bank Regulation

General. OptimumBank is chartered under the laws of the State of Florida, and its deposits are insured by the FDIC to the extent provided by law. OptimumBank is subject to comprehensive regulation, examination and supervision by the FDIC and the Florida Office of Financial Regulation, or Florida OFR, and to other laws and regulations applicable to banks. Such regulations include limitations on loans to a single borrower and to its directors, officers and employees; limitations on the types of activities a state bank can conduct; restrictions on the opening and closing of branch offices; the maintenance of required capital ratios; the granting of credit under equal and fair conditions; and the disclosure of the costs and terms of such credit. OptimumBank is examined periodically by the FDIC and the Florida OFR, to whom it submits periodic reports regarding its financial condition and other matters. The FDIC and the Florida OFR have a broad range of powers to enforce regulations under their jurisdiction, and to take discretionary actions determined to be for the protection and safety and soundness of banks, including the institution of cease and desist orders and the removal of directors and officers. The FDIC and the Florida OFR also have the authority to approve or disapprove mergers, consolidations, and similar corporate actions.

Consent Order. On April 16, 2010, OptimumBank agreed to the issuance of the Consent Order with the FDIC and the Florida Office of Financial Regulation. Under the Consent Order, the Bank is required to implement a number of corrective measures intended to improve the Bank's condition, including a requirement to maintain certain minimum capital ratios. The Consent Order also contains significant operating restrictions. The principal requirements of the Consent Order are described in "Business- Supervision and Regulation- Consent Order." Effective February 28, 2014, the Bank agreed to the issuance of an Amended Consent Order by the FDIC and the OFR.

Capital Adequacy Requirements. Banks are required to maintain capital at adequate levels based on a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging from 0% to 100%. Under the risk-based standard, capital is classified into two tiers. Tier 1 capital consists of common shareholders' equity (excluding the unrealized gain (loss) on available-for-sale securities), trust preferred securities subject to certain limitations, and minus certain intangible assets. Tier 2 capital consists of the general allowance for credit losses except for certain limitations. An institution's qualifying capital base for purposes of its risk-based capital ratio consists of the sum of its Tier 1 and Tier 2 capital. The regulatory minimum requirements are 4% for Tier 1 and 8% for total risk-based capital. At December 31, 2014, the Bank's Tier 1 and total risk-based capital ratios were 9.40% and 10.67%, respectively.

Banks are also required to maintain capital at a minimum level based on total assets, which is known as the leverage ratio. The minimum requirement for the leverage ratio is 4%, but all but the highest rated institutions are required to maintain ratios 100 to 200 basis points above the minimum. At December 31, 2014, the Bank's leverage ratio was 6.95%.

The Consent Order imposes higher capital requirements on OptimumBank. Under the Consent Order, OptimumBank must maintain a Tier 1 Leverage Ratio of 8.0%, and a total risk based capital ratio of 12.0%. With a Tier 1 Leverage ratio of 8.12% and a Total Risk Based Capital Ratio of 11.48% at December 31, 2014, the Bank did not meet the total risk-based capital ratio as required by the Consent Order.

The FDIC Improvement Act of 1993 ("FDICIA") contains "prompt corrective action" provisions pursuant to which banks are to be classified into one of five categories based upon capital adequacy, ranging from "well capitalized" to "critically undercapitalized" and which require (subject to certain exceptions) the appropriate federal banking agency to take prompt corrective action with respect to an institution which becomes "significantly undercapitalized" or "critically undercapitalized."

The FDIC has issued regulations to implement the "prompt corrective action" provisions of FDICIA. In general, the regulations define the five capital categories as follows:

- **an institution is "well capitalized" if it has a total risk-based capital ratio of 10% or greater, has a Tier 1 risk-based capital ratio of 6% or greater, has a leverage ratio of 5% or greater and is not subject to any written capital order or directive to meet and maintain a specific capital level for any capital measures;**

- **an institution is "adequately capitalized" if it has a total risk-based capital ratio of 8% or greater, has a Tier 1 risk-based capital ratio of 4% or greater, and has a leverage ratio of 4% or greater**;

- **an institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8%, has a Tier 1 risk-based capital ratio that is less than 4% or has a leverage ratio that is less than 4%;**

- an institution is “significantly undercapitalized” if it has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3% or a leverage ratio that is less than 3%; and

- an institution is “critically undercapitalized” if its “tangible equity” is equal to or less than 2% of its total assets.

The FDIC, after an opportunity for a hearing, has authority to downgrade an institution from “well capitalized” to “adequately capitalized” or to subject an “adequately capitalized” or “undercapitalized” institution to the supervisory actions applicable to the next lower category, for supervisory concerns.

Generally, FDICIA requires that an “undercapitalized” institution must submit an acceptable capital restoration plan to the appropriate federal banking agency within 45 days after the institution becomes “undercapitalized” and the agency must take action on the plan within 60 days. The appropriate federal banking agency may not accept a capital restoration plan unless, among other requirements, each company having control of the institution has guaranteed that the institution will comply with the plan until the institution has been adequately capitalized on average during each of the three consecutive calendar quarters and has provided adequate assurances of performance. The aggregate liability under this provision of all companies having control of an institution is limited to the lesser of:

- 5% of the institution’s total assets at the time the institution becomes “undercapitalized”; or

- the amount which is necessary, or would have been necessary, to bring the institution into compliance with all capital standards applicable to the institution as of the time the institution fails to comply with the plan filed pursuant to FDICIA.

An “undercapitalized” institution may not acquire an interest in any company or any other insured depository institution, establish or acquire additional branch offices or engage in any new business unless the appropriate federal banking agency has accepted its capital restoration plan, the institution is implementing the plan, and the agency determines that the proposed action is consistent with and will further the achievement of the plan, or the appropriate Federal banking agency determines the proposed action will further the purpose of the “prompt corrective action” sections of FDICIA.

If an institution is “critically undercapitalized,” it must comply with the restrictions described above. In addition, the appropriate Federal banking agency is authorized to restrict the activities of any “critically undercapitalized” institution and to prohibit such an institution, without the appropriate Federal banking agency’s prior written approval, from:

- entering into any material transaction other than in the usual course of business;

- engaging in any covered transaction with affiliates (as defined in Section 23A(b) of the Federal Reserve Act);

- paying excessive compensation or bonuses; and

- paying interest on new or renewed liabilities at a rate that would increase the institution's weighted average costs of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the institution's normal market areas.

The "prompt corrective action" provisions of FDICIA also provide that in general no institution may make a capital distribution if it would cause the institution to become "undercapitalized." Capital distributions include cash (but not stock) dividends, stock purchases, redemptions, and other distributions of capital to the owners of an institution.

Additionally, FDICIA requires, among other things, that:

- only a "well capitalized" depository institution may accept brokered deposits without prior regulatory approval, and

- the appropriate federal banking agency annually examines all insured depository institutions, with some exceptions for small, "well capitalized" institutions and state-chartered institutions examined by state regulators.

As of December 31, 2014, OptimumBank met the FDIC definition of an "adequately capitalized" institution.

For additional information regarding OptimumBank's capital ratios and requirements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Capital Adequacy."

Dividends. The Company's ability to pay dividends is substantially dependent on the ability of OptimumBank to pay dividends to the Company. As a state chartered bank, OptimumBank is subject to dividend restrictions set by Florida law and the FDIC. Except with the prior approval of the Florida OFR, all dividends of any Florida bank must be paid out of retained net profits from the current period and the previous two years, after deducting expenses, including losses and bad debts. Under the Federal Deposit Insurance Act, an FDIC-insured institution may not pay any dividend if payment would cause it to become undercapitalized or while it is undercapitalized. The FDIC and the Florida OFR also have the general authority to limit the dividend payment by banks if such payment may be deemed to constitute an unsafe and unsound practice. The Bank's ability to pay dividends is further restricted under the Consent Order and the Company's ability to pay dividends is also restricted under its Written Agreement with the Federal Reserve. At December 31, 2014, the Bank and Company could not pay cash dividends.

Loans to One Borrower. Florida law generally allows a state bank such as OptimumBank to extend credit to any one borrower (and certain related entities of such borrower) in an amount up to 25% of its capital accounts, provided that the unsecured portion may not exceed 15% of the capital accounts of the bank. Based upon OptimumBank's capital, the maximum loan OptimumBank is currently permitted to make is approximately $2.2 million, provided the unsecured portion does not exceed approximately $1.3 million.

Transactions with Affiliates. Under federal law, federally insured banks are subject, with certain exceptions, to certain restrictions on any extension of credit to their parent holding companies or other affiliates, on investment in the stock or other securities of affiliates, and on the taking of such stock or securities as collateral from any borrower. In addition, banks are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or the providing of any property or service.

Change of Bank Control. Florida law restricts the amount of voting stock of a bank that a person may acquire without the prior approval of banking regulators. The overall effect of such laws is to make it more difficult to acquire a bank by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of financial institutions are less likely to benefit from the rapid increases in stock prices that often result from tender offers or similar efforts to acquire control of other companies.

Under Florida law, no person or group of persons may, directly or indirectly or acting by or through one or more persons, purchase or acquire a controlling interest in any bank which would result in the change in control of that bank unless the Florida OFR first shall have approved such proposed acquisition. A person or group will be deemed to have acquired "control" of a bank (i) if the person or group, directly or indirectly or acting by or through one, or more other persons, owns, controls, or has power to vote 25% or more of any class of voting securities of the bank, or controls in any manner the election of a majority of the directors of the bank, or (ii) if the Florida OFR determines that such person exercises a controlling influence over the management or policies of the bank. In any case where a proposed purchase of voting securities would give rise to a presumption of control, the person or group who proposes to purchase the securities must first file written notice of the proposal to the Florida OFR for its review and approval. Subsections 658.27(2) and 658.28(3), Florida Statutes, refer to a potential change of control of a financial institution at a 10% or more threshold and rebuttable presumption of control. Accordingly, the name of any subscriber acquiring more than 10% of the voting securities of OptimumBank must be submitted to the Florida OFR for prior approval.

USA Patriot Act. The USA Patriot Act was enacted after September 11, 2001, to provide the federal government with powers to prevent, detect, and prosecute terrorism and international money laundering, and has resulted in promulgation of several regulations that have a direct impact on banks. There are a number of programs that financial institutions must have in place such as: (i) Bank Secrecy Act/Anti-Money Laundering programs to manage risk; (ii) Customer Identification Programs to determine the true identity of customers, document and verify the information, and determine whether the customer appears on any federal government list of known or suspected terrorist or terrorist organizations; and (iii) monitoring for the timely detection and reporting of suspicious activity and reportable transactions. Over the past few years, enforcement, and compliance monitoring, of these anti-money laundering laws has dramatically increased. As a result, the Bank has increased the attention and resources it dedicates to compliance with these laws.

Other Consumer Laws. Florida usury laws and federal laws concerning interest rates limit the amount of interest and various other charges collected or contracted by a bank. OptimumBank's loans are also subject to federal laws applicable to consumer credit transactions, such as the:

- Federal Truth-In-Lending Act governing disclosures of credit terms to consumer borrowers;

- Community Reinvestment Act requiring financial institutions to meet their obligations to provide for the total credit needs of the communities they serve, including investing their assets in loans to low and moderate-income borrowers;

- Home Mortgage Disclosure Act requiring financial institutions to provide information to enable public officials to determine whether a financial institution is fulfilling its obligations to meet the housing needs of the community it serves;

- Equal Credit Opportunity Act prohibiting discrimination on the basis of race, creed or other prohibitive factors in extending credit;

- Real Estate Settlement Procedures Act which requires lenders to disclose certain information regarding the nature and cost of real estate settlements, and prohibits certain lending practices, as well as limits escrow account amounts in real estate transactions;

- Fair Debt Collection Act governing the manner in which consumer debts may be collected by collection agencies;

- Fair and Accurate Credit Transactions Act which establishes additional rights for consumers to obtain and correct credit reports, addresses identity theft, and establishes additional requirements for consumer reporting agencies and financial institutions that provide adverse credit information to a consumer reporting agency; and

- The rules and regulations of various federal agencies charged with the responsibility of implementing such federal laws.

OptimumBank's deposit and loan operations are also subject to the:

- The Gramm-Leach-Bliley Act of 1999 privacy provisions, which require the Bank maintain privacy policies intended to safeguard consumer financial information, to disclose these policies to its customers, and allow customers to "opt-out" of having their financial service providers disclose their confidential financial information to non-affiliated third parties, subject to certain exceptions;

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and

- Electronic Funds Transfer Act and Regulation E, which govern automatic deposits to, and withdrawals from, deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Other Regulation

Enforcement Powers. Congress has provided the federal bank regulatory agencies with an array of powers to enforce laws, rules, regulations and orders. Among other things, the agencies may require that institutions cease and desist from certain activities, may preclude persons from participating in the affairs of insured depository institutions, may suspend or remove deposit insurance, and may impose civil money penalties against institution-affiliated parties for certain violations.

Community Reinvestment Act. Bank holding companies and their subsidiary banks are subject to the provisions of the Community Reinvestment Act of 1977 ("CRA") and the regulations promulgated thereunder by the appropriate bank regulatory agency. Under the terms of the CRA, the appropriate federal bank regulatory agency is required, in connection with its examination of a bank, to assess such bank's record in meeting the credit needs of the community served by that bank, including low-and moderate-income neighborhoods. The regulatory agency's assessment of the Bank's record is made available to the public. Further, such assessment is required of any bank which has applied to charter a bank, obtain deposit insurance coverage for a newly chartered institution, establish a new branch office that will accept deposits, relocate an office, or merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution. In the case of a bank holding company applying for approval to acquire a bank or other bank holding company, the Federal Reserve will assess the record of each subsidiary bank of the applicant bank holding company, and such records may be the basis for denying the application.

Effect of Governmental Monetary Policies

The Company's earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve monetary policies have had, and will likely continue to have, an important impact on the operating results of financial institutions through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve have major effects upon the levels of loans, investments and deposits through its open market operations in United States Government securities and through its regulation of the discount rate on borrowings of member banks and the reserve requirement against member bank deposits. It is not possible to predict the nature or impact of future changes in monetary and fiscal policies.

Statistical Profile and Other Financial Data

Reference is hereby made to the statistical and financial data contained in the sections captioned "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," for statistical and financial data providing a review of the Bank's business activities.

Item 2. Properties

The following table sets forth information with respect to the Bank's main office and branch offices as of December 31, 2014.

Location	**Year Facility Opened**	**Facility Status**
Executive Office and Ft. Lauderdale Branch:	2004	Owned
2477 East Commercial Boulevard Fort Lauderdale, Florida 33308		
Plantation Branch Office:	2000	Owned
10197 Cleary Boulevard Plantation, Florida 33324		
Deerfield Beach Branch Office:	2004	Leased (1)

2215 West Hillsboro Boulevard
Deerfield Beach, Florida 22442

(1) **At December 31, 2014, the future minimum lease payments are approximately as follows (in thousands):**

Year Ending December 31,	Amount
2015	$60
2016	60
2017	55
Total	$175

15

Item 3. Legal Proceedings

From time-to-time, the Bank is involved in litigation arising in the ordinary course of its business. As of the date of the filing of this Form 10-K, management is of the opinion that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on the Bank's consolidated financial condition or results of operations.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Company's common stock currently trades on the NASDAQ Capital Market under the symbol "OPHC." The table below presents the high and low sales prices for the periods indicated.

Year	Quarter	High	Low
2013	First	$0.88	$0.45
		Reverse Stock Split	
	Second	$1.82	$1.26
	Third	$1.62	$1.35
	Fourth	$1.71	$1.11
2014	First	$1.80	$1.04
	Second	$1.43	$1.10
	Third	$1.60	$1.20
	Fourth	$1.34	$0.57

The Company had approximately 901 holders registered or in street names as of December 31, 2014.

During 2013, the Company sold 104,166 shares of the Company's common stock at a price of $1.20 per share to accredited investors. During the fourth quarter of 2013, the Company also issued 28,873 shares of the Company's common stock to four directors. The shares had a value of $1.50 per share.

At December 31, 2014, the Bank and Company could not pay cash dividends and the Company does not anticipate that it will pay dividends on its common stock in the foreseeable future. Banking regulations place certain restrictions on dividends and loans or advances made by the Bank to the Company. The amount of cash dividends that may be paid by the Bank to the Company is based on the Bank's net earnings of the current year combined with the Bank's retained earnings of the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Company must consider additional factors such as the amount of current period net earnings, liquidity, asset quality, capital adequacy and economic conditions. It is likely that these factors would further limit the amount of dividends which the Company could declare. Furthermore, the Bank's ability to pay dividends is restricted under the Consent Order issued by the FDIC and Florida Office of Financial Regulation and banking laws. The Company's ability to pay dividends is also restricted under its Written Agreement with the Federal Reserve.

During 2014, the Company sold 41,000 shares of the Company's common stock at a price of $1.24 per share; 714,286 shares at a price of $1.12 per share; 100,000 shares at a price of $1.20 per share, 224,000 shares at a price of $1.25 per share; all to accredited investors. The Company also made a charitable contribution of 13,433 shares valued at $1.34 per share. During the fourth quarter of 2014, the Company also issued 34,773 shares of the Company's common stock to four directors. The shares had a value of $1.05 per share.

Item 6. Selected Financial Data

At December 31, or for the Year Then Ended

(Dollars in thousands, except per share figures)

	2014	**2013**	**2012**	**2011**	**2010**
At Year End:					
Cash and cash equivalents	$12,074	13,881	23,611	22,776	14,367
Securities held to maturity	0	0	0	100	51,057
Security available for sale	26,748	22,990	18,648	28,907	0
Loans, net	75,829	79,249	85,209	89,217	113,542
All other assets	9,879	12,663	16,275	13,572	11,339
Total assets	$124,530	128,783	143,743	154,472	190,305
Deposit accounts	91,603	98,692	101,611	107,895	148,238
Federal Home Loan Bank advances	22,740	22,740	27,700	31,700	31,700
Junior subordinated debenture	5,155	5,155	5,155	5,155	5,155
All other liabilities	2,053	2,412	2,367	2,936	2,377
Stockholders’ equity (deficit)	2,979	(216)	6,910	6,786	2,835
Total liabilities and stockholders’ equity (deficit)	$124,530	128,783	143,743	154,472	190,305
For the Year:					
Total interest income	5,392	5,280	5,162	6,422	8,787
Total interest expense	911	1,919	2,581	3,427	4,867
Net interest income	4,481	3,361	2,581	2,995	3,920
Provision (credit) for loan losses	—	2,194	1,653	(149)	3,645
Net interest income after provision (credit) for loan losses	4,481	1,167	928	3,144	275
Noninterest income	572	144	258	379	1,394
Noninterest expenses	3,448	8,066	5,883	7,229	9,773
Earnings (Loss) before income taxes	1,605	(6,755)	(4,697)	(3,706)	(8,104)
Income taxes	0	320	0	41	349
Net earnings/(loss)	$1,605	(7,075)	(4,697)	(3,747)	(8,453)
Net earnings/(loss) per share, basic (1)	$.18	(.89)	(.69)	(3.28)	(41.26)
Net earnings (loss) loss per share, diluted (1)	$.18	(.89)	(.69)	(3.28)	(41.26)

Weighted-average number of shares outstanding, basic (1)	8,677,891	7,913,585	6,840,668	1,144,076	204,840
Weighted-average number of shares outstanding, diluted (1)	8,677,891	7,913,585	6,840,668	1,144,076	240,840

18

Ratios and Other Data:

	2014		2013		2012		2011		2010	
Return on average assets	1.3	%	(5.3	)%	(3.1	)%	(2.1	)%	(3.8	)%
Return on average equity	86.2	%	(216.8	)%	(60.3	)%	(204.0	)%	(127.6	)%
Average equity to average assets	1.5	%	2.4	%	5.2	%	1.0	%	3.0	%
Dividend payout ratio	—	%	—	%	—	%	—	%	—	%
Net interest margin during the year	3.9	%	2.9	%	1.9	%	1.8	%	1.9	%
Interest-rate differential during the year	4.0	%	3.0	%	2.5	%	1.8	%	1.9	%
Net yield on average interest-earning assets	4.7	%	4.5	%	3.9	%	3.8	%	4.2	%
Noninterest expenses to average assets	2.7	%	5.8	%	3.6	%	4.1	%	4.4	%
Ratio of average interest-earning assets to average interest-bearing liabilities	0.97		.95		1.1		1.0		1.0	
Nonperforming loans and foreclosed assets as a percentage of total assets at end of year	12.1	%	12.7	%	19.5	%	23.0	%	19.8	%
Allowance for loan losses as a percentage of total loans at end of year	2.9	%	2.7	%	2.8	%	2.6	%	3.2	%
Total number of banking offices	3		3		3		3		3	
Total shares outstanding at end of year (1)	9,305,236		8,011,077		7,877,800		5,602,777		204,840	
Book value per share at end of year (1)	$.32		$(.03	)	$.88		$1.21		$13.84	

(1) All share and per share amounts have been adjusted to reflect the 1-for-4 reverse stock split declared in 2013.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

General

Critical Accounting Policies

The Company’s financial condition and results of operations are sensitive to accounting measurements and estimates of matters that are inherently uncertain. When applying accounting policies in areas that are subjective in nature, the Company must use its best judgment to arrive at the carrying value of certain assets. One of the most critical accounting policies applied by the Company is related to the valuation of its loan portfolio.

A variety of estimates impact the carrying value of the Company's loan portfolio including the calculation of the allowance for loan losses, valuation of underlying collateral, the timing of loan charge-offs and the amount and amortization of loan fees and deferred origination costs.

The calculation of the allowance for loan losses is a complex process containing estimates which are inherently subjective and susceptible to significant revision as current information becomes available. The allowance is established and maintained at a level management believes is adequate to cover losses resulting from the inability of borrowers to make required payments on loans. Estimates for loan losses are determined by analyzing risks associated with specific loans and the loan portfolio, current trends in delinquencies and charge-offs, the views of the Company's regulators, changes in the size and composition of the loan portfolio and peer comparisons. The analysis also requires consideration of the economic climate and direction, changes in the economic and interest rate environment which may impact a borrower's ability to pay, legislation impacting the banking industry and economic conditions specific to the tri-county region the Bank serves in Southeast Florida. Because the calculation of the allowance for loan losses relies on the Company's estimates and judgments relating to inherently uncertain events, results may differ from management's estimates.

The allowance for loan losses is also discussed as part of "Loan Portfolio, Asset Quality and Allowance for Loan Losses" and in Note 3 of Notes to the Consolidated Financial Statements. The Company's significant accounting policies are discussed in Note 1 of Notes to the Consolidated Financial Statements.

Regulation and Legislation

As a state-chartered commercial bank, the Bank is subject to extensive regulation by the Florida Office of Financial Regulation, or Florida OFR, and the FDIC. The Bank files reports with the Florida OFR and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with or acquisitions of other financial institutions. Periodic examinations are performed by the Florida OFR and the FDIC to monitor the Bank's compliance with the various regulatory requirements. The Company is also subject to regulation and examination by the Federal Reserve Board of Governors.

Loan Portfolio, Asset Quality and Allowance for Loan Losses

The Bank's primary business is making business loans. This activity may subject the Bank to potential loan losses, the magnitude of which depends on a variety of economic factors affecting borrowers which are beyond its control. The combination of stronger U.S. growth, the consumer boost from sharply lower crude oil prices and the aggressive monetary easing and weaker currencies outside of the United States should support improving conditions. With most of the Bank's loans concentrated in south Florida, the decline in local economic conditions had previously adversely affected the values of the Bank's real estate collateral, but these trends are reversing and are shown in the improvement in the Bank's impaired loans and improved asset quality. As of December 31, 2014, the Bank's impaired loans were approximately $10.1 million, or 13.4% of the net loan portfolio. All of these loans are on our books for at least 90 percent of appraised value. Impaired loans and real estate owned was approximately $15.0 million as of this same date, or 12.1% of total assets.

The following table sets forth the composition of the Bank's loan portfolio:

	At December 31, 2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	Total
	(dollars in thousands)					
Residential real estate	$21,276	27.32	$26,468	32.64 %	$30,064	34.32 %
Multi-family real estate	1,979	2.54	3,605	4.44	3,916	4.47
Commercial real estate	31,255	40.12	27,883	34.40	39,126	44.66
Land and construction	6,177	7.93	6,459	7.97	7,276	8.30
Commercial	17,180	22.06	16,584	20.45	7,158	8.17
Consumer	20	.03	81	.10	70	.08
Total loans	77,887	100.00	81,080	100.00%	87,610	100.00%
Add (deduct):						
Allowance for loan losses	(2,244)		(2,211)		(2,459)	
Net deferred loan costs and premiums	186		380		58	
Loans, net	$75,829		$79,249		$85,209	

	At December 31, 2011		2010	
	Amount	% of Total	Amount	% of Total
	(dollars in thousands)			
Residential real estate	$31,142	34.03 %	$40,130	34.27 %
Multi-family real estate	4,109	4.49	4,213	3.60
Commercial real estate	44,312	48.42	55,119	47.07
Land and construction	11,783	12.87	17,292	14.77
Consumer	175	.19	358	.29
Total loans	91,521	100.00%	117,112	100.00%
Add (deduct):				
Allowance for loan losses	(2,349)		(3,703)	
Net deferred loan costs and premiums	45		133	
Loans, net	$89,217		$113,542	

The following table sets forth the activity in the allowance for loan losses (in thousands):

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Beginning balance	$2,211	$2,459	$2,349	$3,703	$9,363
Provision (credit) for loan losses	—	2,194	1,653	(149)	3,645
Loans charged off	—	(2,959)	(1,848)	(1,739)	(9,424)
Recoveries	33	517	305	534	119
Ending balance	$2,244	$2,211	$2,459	$2,349	$3,703

The allowance for loan losses represents management's estimate of probable incurred losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. The allowance for loan losses represented 2.88% and 2.73% of the total loans outstanding at December 31, 2014 and 2013, respectively.

The Bank evaluates the allowance for loan losses on a regular basis. The allowance for loan losses is determined based on a periodic review of several factors: reviews and evaluation of individual loans, historical loan loss experiences, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of two components. The first component consists of amounts specifically reserved ("specific allowance") for specific loans identified as impaired, as defined by FASB Accounting Standards Codification No. 310 ("ASC 310"). Impaired loans are those loans that management has estimated will not be repaid as agreed upon. The Bank measures impairment on a loan by loan basis for all of its loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent. A loan may be impaired (i.e. not expected to be repaid as agreed), but may be sufficiently collateralized such that the Bank expects to recover all principal and interest eventually, and therefore no specific reserve is warranted.

The second component is a general reserve ("general allowance") on all of the Bank's loans, other than those identified as impaired. The Bank groups these loans into categories with similar characteristics and then applies a loss factor to each group which is derived from the Bank's historical loss experience for that category adjusted for qualitative factors such as economic conditions and other trends or uncertainties that could affect management's estimate of probable loss. The aggregate of these two components results in the Bank's total allowance for loan losses.

The following table sets forth the Bank's allowance for loan losses by loan type (dollars in thousands):

	At December 31, 2014 Amount	% of Total Loans		2013 Amount	% of Total Loans		2012 Amount	% of Total Loans	
Residential real estate	$65	27.32		$49	32.64	%	$434	34.32	%
Multi-family real estate	2	2.54		4	4.44		267	4.47	
Commercial real estate	1,589	40.12		934	34.40		1,372	44.66	
Land and construction	99	7.93		458	7.97		166	8.30	
Commercial	22	22.06		61	20.45		216	8.17	
Consumer	0	.03		0	.10		4	.08	
Unallocated	467	—		705	.00		—	—	
Total allowance for loan losses	$2,244	100.00		$2,211	100.00	%	$2,459	100.00	%
Allowance for loan losses as a percentage of total loans outstanding		2.88			2.73	%		2.81	%

	At December 31, 2011 Amount	% of Total Loans		2010 Amount	% of Total Loans	
Residential real estate	$566	34.03	%	$1,285	34.27	%
Multi-family real estate	247	4.49		282	3.60	
Commercial real estate	1,334	48.42		1,542	47.07	
Land and construction	187	12.87		514	14.77	
Consumer	15	.19		80	.29	
Total allowance for loan losses	$2,349	100.00	%	$3,703	100.00	%
Allowance for loan losses as a percentage of total loans outstanding		2.57	%		3.16	%

The following summarizes impaired loans (in thousands):

	December 31, 2014			At December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Residential real estate	$4,861	$ 5,368	$ 0	$7,100	$ 7,607	$ 0
Commercial real estate	4,102	5,916	0	4,128	4,534	0
Commercial	1,167	1,409	0	1,216	1,458	0
With an allowance recorded:						
Commercial real estate	0	0	0	1,099	2,913	192
Total:						
Residential real estate	$4,861	$ 5,368	$ 0	$7,100	$ 7,607	$ 0
Commercial real estate	$4,102	$ 5,916	$ 0	$5,227	$ 7,447	$ 192
Commercial	$1,167	$ 1,409	—	1,216	$ 1,458	—
Total	$10,131	$ 12,693	$ 0	$13,543	$ 16,512	$ 192

During 2014, 2013 and 2012, the average net investment in impaired loans and interest income recognized and received on impaired loans is as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Average investment in impaired loans	$11,721	$17,859	$25,743
Interest income recognized on impaired loans	$674	$596	$175
Interest income received on a cash basis on impaired loans	$587	$1,183	$616

Liquidity and Capital Resources

Liquidity represents an institution’s ability to meet current and future obligations through liquidation or maturity of existing assets or the acquisition of additional liabilities. The Bank’s ability to respond to the needs of depositors and borrowers and to benefit from investment opportunities is facilitated through liquidity management.

The Bank's primary sources of cash during the year ended December 31, 2014, were from principal repayments of securities available for sale of $3.7 million, proceeds from sale of securities available for sale of $13.1 million, and proceeds from net loan payoffs $2.4 million. Cash was used primarily to repay $7.1 million of deposits, and purchase $20.5 million in securities. In order to increase its core deposits, the Bank has priced its deposit rates competitively. The Bank will adjust rates on its deposits to attract or retain deposits as needed. The Bank obtains funds primarily from depositors in its market area.

In addition to obtaining funds from depositors, the Bank may borrow funds from other financial institutions. OptimumBank is a member of the Federal Home Loan Bank of Atlanta, which allows it to borrow funds under a pre-arranged line of credit equal to $31.7 million. As of December 31, 2014, the Bank had $22.7 million in borrowings outstanding from the Federal Home Loan Bank of Atlanta to facilitate loan fundings and manage its asset and liability structure. The Bank has established a line of credit for $2.5 million with SunTrust, $1 million with Independent Bankers Bank, and $1.8 million with the Federal Reserve.

Securities

The Bank's securities portfolio is comprised primarily of mortgage-backed securities and U.S. Government and agency securities. The securities portfolio is categorized as either "held to maturity" or "available for sale." Securities held to maturity represent those securities which the Company has the positive intent and ability to hold to maturity. These securities are carried at amortized cost. Securities available for sale represent those investments which may be sold for various reasons including changes in interest rates and liquidity considerations. These securities are reported at fair market value and unrealized gains and losses are excluded from earnings and reported in other comprehensive income.

The following table sets forth the amortized cost and fair value of the Bank's securities portfolio (in thousands):

	Amortized Cost	Fair Value
At December 31, 2014:		
Securities available for sale:		
Mortgage-backed securities	$ 14,621	$14,760
U.S. Government and agency securities	11,995	11,988
	$ 26,616	$26,748
At December 31, 2013:		
Securities available for sale:		
Mortgage-backed securities	$ 10,425	$10,625
U.S. Government and agency securities	12,561	12,365
	$ 22,986	$22,990

The following table sets forth, by maturity distribution, certain information pertaining to the securities portfolio (dollars in thousands):

	After Five Years Through Ten Years	After Ten Years	Total	Yield
At December 31, 2014:				

Mortgage-backed securities	$ —	$11,995	$11,995	2.79
U.S. Government and agency securities	—	14,621	14,621	2.81
	$ —	$26,616	$26,616	
At December 31, 2013:				
Mortgage-backed securities	$ 1,787	$8,638	$10,425	5.08 %
U.S. Government and agency securities	695	11,866	12,561	2.56 %
	$ 2,482	$20,504	$22,986	

Regulatory Capital Adequacy

Failure to meet minimum capital requirements can result in certain mandatory and, possibly, additional discretionary actions by federal and state regulators that, if undertaken, could have a direct material effect on the Bank's financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. In addition, the Consent Order imposes increased minimum capital requirements on the Bank.

Quantitative measures established by regulation and by the Consent Order to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the following table) of Total and Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets. As of December 31, 2014, the Bank did not meet the minimum applicable capital adequacy requirements. See "Supervision and Regulation – Bank Regulation- Capital Adequacy Requirements" with respect to the required Tier 1 capital to total assets ratios of 8%.

The Bank's actual and required minimum capital ratios were as follows (in thousands):

Regulatory Capital Requirements

	Actual		**For Capital Adequacy Purposes**		**Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions**		**Requirements of Consent Order**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
As of December 31, 2014:								
Total Capital to Risk-Weighted Assets	$9,757	10.67	$ 7,320	8.00	$ 9,145	10.00	$ 10,970	12.00
Tier I Capital to Risk-Weighted Assets	8,600	9.40	3,660	4.00	5,490	6.00	N/A	N/A
Tier I Capital to Total Assets	8,600	6.95	4,950	4.00	6,190	5.00	9,900	8.00
As of December 31, 2013:								
Total Capital to Risk-Weighted Assets	$6,667	6.55 %	$ 8,140	8.00 %	$ 10,180	10.00 %	$ 12,210	12.00%
Tier I Capital to Risk-Weighted Assets	5,383	5.29	4,070	4.00	6,110	6.00	N/A	N/A
Tier I Capital to Total Assets	5,383	4.21	5,110	4.00	6,390	5.00	10,220	8.00

Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Bank's market risk arises primarily from interest-rate risk inherent in its lending and deposit-taking activities. The Bank does not engage in securities trading or hedging activities and does not invest in interest-rate derivatives or enter into interest rate swaps.

The Bank may utilize financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. The measurement of market risk associated with financial instruments is meaningful only when all related and offsetting on- and off-balance-sheet transactions are aggregated, and the resulting net positions are identified. Disclosures about the fair value of financial instruments, which reflect changes in market prices and rates, can be found in Note 8 of Notes to Consolidated Financial Statements.

The Bank's primary objective in managing interest-rate risk is to minimize the potential adverse impact of changes in interest rates on its net interest income and capital, while adjusting its asset-liability structure to obtain the maximum yield-cost spread on that structure. The Bank actively monitors and manages its interest-rate risk exposure by managing its asset and liability structure. However, a sudden and substantial increase in interest rates may adversely impact its earnings, to the extent that the interest-earning assets and interest-bearing liabilities do not change or reprice at the same speed, to the same extent, or on the same basis.

The Bank uses modeling techniques to simulate changes in net interest income under various rate scenarios. Important elements of these techniques include the mix of floating versus fixed-rate assets and liabilities, and the scheduled, as well as expected, repricing and maturing volumes and rates of the existing balance sheet.

Asset Liability Management

As part of its asset and liability management, the Bank has emphasized establishing and implementing internal asset-liability decision processes, as well as control procedures to aid in managing its earnings. Management believes that these processes and procedures provide us with better capital planning, asset mix and volume controls, loan-pricing guidelines, and deposit interest-rate guidelines, which should result in tighter controls and less exposure to interest-rate risk.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring an institution's interest rate sensitivity "gap." An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest-rate sensitivity gap is defined as the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. The gap ratio is computed as the amount of rate sensitive assets less the amount of rate sensitive liabilities divided by total assets. A gap is considered positive when the amount of interest-rate sensitive assets exceeds interest-rate sensitive liabilities. A gap is considered negative when the amount of interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of rising interest rates, a negative gap would adversely affect net interest income, while a positive gap would result in an increase in net interest income. During a period of falling interest rates, a negative gap would result in an increase in net interest income, while a positive gap would adversely affect net interest income.

In order to minimize the potential for adverse effects of material and prolonged increases in interest rates on the results of operations, the Bank's management continues to monitor its assets and liabilities to better match the maturities and repricing terms of its interest-earning assets and interest-bearing liabilities. The Bank's policies emphasize the origination of adjustable-rate loans, building a stable core deposit base and, to the extent possible, matching deposit maturities with loan repricing timeframes or maturities.

The following table sets forth certain information related to the Bank's interest-earning assets and interest-bearing liabilities at December 31, 2014, that are estimated to mature or are scheduled to reprice within the period shown (dollars in thousands):

Gap Maturity / Repricing Schedule

	One Year or Less	More than One Year and Less than Five Years	More than Five Years and Less than Fifteen Years	Over Fifteen Years	Total
Loans (1):					
Residential real estate loans	$15,760	$2,874	$0	$2,642	$21,276
Multi-family real estate loans	1,393	511	75	0	1,979
Commercial real estate loans	11,685	16,169	3,401	0	31,255
Land and construction	4,280	1,897	0	0	6,177
Consumer loans	13,635	3,545	0	0	17,180
Consumer	20	0	0	0	20
Total loans	46,773	24,996	3,476	2,642	77,887
Securities (2)	0	0	5,171	21,577	26,748
Federal Home Loan Bank stock	1,229	0	0	0	1,229
Total rate-sensitive assets	48,002	24,996	8,647	24,219	105,864
Deposit accounts (3):					
Money-market deposits	21,971	0	0	0	21,971
Interest-bearing checking deposits	1,768	0	0	0	1,768
Savings deposits	605	0	0	0	605
Time deposits	42,572	15,492	0	0	58,064
Total deposits	66,916	15,492	0	0	82,408
Federal Home Loan Bank advances	22,740	0	0	0	22,740
Junior subordinated debenture	0	0	0	5,155	5,155
Total rate-sensitive liabilities	89,656	15,492	0	5,155	110,303
GAP (repricing differences)	$(41,654)	$(9,504)	$8,647	$19,064	$(4,439)

Cumulative GAP	$(41,654)	$(32,150)	$(23,503)	$(4,439)	$(4,439)
Cumulative GAP/total assets	(32.19)%	(24.84)%	(18.16)%	(3.43)%	

(1) In preparing the table above, adjustable-rate loans are included in the period in which the interest rates are next scheduled to adjust rather than in the period in which the loans mature. Fixed-rate loans are scheduled, including repayment, according to their maturities.
(2) Securities are scheduled through the repricing date.
(3) Money-market, interest-bearing checking and savings deposits are regarded as readily accessible withdrawable accounts. All other time deposits are scheduled through the maturity dates.

28

The following table sets forth loan maturities by type of loan at December 31, 2014 (in thousands):

	One Year or Less	After One But Within Five Years	After Five Years	Total
Residential real estate	$0	$2,446	$18,830	$21,276
Multi-family real estate	0	531	1,448	1,979
Commercial real estate	2,508	16,183	12,564	31,255
Land and construction	0	1,898	4,279	6,177
Commercial	2,494	3,452	11,234	17,180
Consumer	0	20	0	20
Total	$5,002	$24,530	$48,355	$77,887

The following table sets forth the maturity or repricing of loans by interest type at December 31, 2014 (in thousands):

	One Year or Less	After One But Within Five Years	After Five Years	Total
Fixed interest rate	$2,799	$16,805	$6,118	$25,722
Variable interest rate	43,878	8,287	0	52,165
Total	$46,677	$25,092	$6,118	$77,887

Scheduled contractual principal repayments of loans do not reflect the actual life of such assets. The average life of loans is substantially less than their average contractual terms due to prepayments. In addition, due-on-sale clauses on loans generally give us the right to declare a conventional loan immediately due and payable in the event, among other things, that the borrower sells real property subject to a mortgage and the loan is not repaid. The average life of mortgage loans tends to increase, however, when current mortgage loan rates are substantially higher than rates on existing mortgage loans and, conversely, decrease when rates on existing mortgages are substantially higher than current mortgage rates.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

The Bank is 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. 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 contractual amounts of those instruments reflect the extent of the Company’s involvement in particular classes of financial instruments.

The Bank’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank 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 certain commitments expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The Bank evaluates each customer’s credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary in order to extend credit, is based on management’s credit evaluation of the counterparty.

As of December 31, 2014, commitments to extend credit totaled $2,618,000.

The following is a summary of the Bank's contractual obligations, including certain on-balance sheet obligations, at December 31, 2014 (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Federal Home Loan Bank advances	$22,740	$22,740	$0	$ 0	$0
Junior subordinated debenture	5,155	0	0	0	5,155
Operating leases	175	60	115	0	0
Total	$28,070	$22,800	$115	$ 0	$5,155

Deposits

Deposits traditionally are the primary source of funds for the Bank's use in lending, making investments and meeting liquidity demands. The Bank has focused on raising time deposits primarily within its market area, which is the tri-county area of Broward, Miami-Dade and Palm Beach counties. However, the Bank offers a variety of deposit products, which are promoted within its market area. Net deposits decreased $7.1 million in 2014 and decreased $2.9 million in 2013.

The following table displays the distribution of the Bank's deposits at December 31, 2014, 2013 and 2012 (dollars in thousands):

	At December 31, 2014		2013		2012	
	Amount	% of Deposits	Amount	% of Deposits	Amount	% of Deposits
Noninterest-bearing demand deposits	$9,195	10.04	$3,775	3.82 %	$4,626	4.45 %
Interest-bearing demand deposits	1,768	1.93	1,074	1.09	1,714	1.69
Money-market deposits	21,971	23.99	29,077	29.46	31,738	31.27
Savings	605	0.66	650	.66	701	.69
Subtotal	33,539	36.62	34,576	35.03	38,779	38.10
Time deposits:						
0.00% – 0.99%	$49,950	54.53	$41,162	41.71 %	$32,686	32.20 %

1.00% – 1.99%	6,021	6.57	20,012	20.28	23,398	23.05
2.00% – 2.99%	2,093	2.28	2,827	2.86	5,102	5.03
3.00% – 3.99%	0	0	115	.12	454	.45
4.00% – 4.99%	0	0	0	0	1,192	1.17
Total time deposits (1)	58,064	63.38	64,116	64.97	62,832	61.90
Total deposits	$91,603	100.00	$98,692	100.00 %	$101,611	100.00 %

(1) Included are Individual Retirement Accounts (IRA's) totaling $0 and $5,565,000 at December 31, 2014 and 2013, respectively, all of which are in the form of time deposits.

30

Deposits of $100,000 or more, or Jumbo Time Deposits, are generally considered a more unpredictable source of funds. The following table sets forth the Bank's maturity distribution of deposits of $100,000 or more at December 31, 2014 and 2013 (in thousands):

	At December 31,	
	2014	**2013**
Due three months or less	$2,517	$5,159
Due more than three months to six months	3,626	5,382
More than six months to one year	5,451	6,198
One to five years	6,707	5,000
Total	$18,301	$21,739

Analysis of Results of Operations

The Bank's profitability depends to a large extent on net interest income, which is the difference between the interest received on earning assets, such as loans and securities, and the interest paid on interest-bearing liabilities, principally deposits and borrowings. Net interest income is determined by the difference between yields earned on interest-earning assets and rates paid on interest-bearing liabilities ("interest-rate spread") and the relative amounts of interest-earning assets and interest-bearing liabilities. The Bank's interest-rate spread is affected by regulatory, economic, and competitive factors that influence interest rates, loan demand, and deposit flows. The Bank' results of operations are also affected by the provision for loan losses, operating expenses such as salaries and employee benefits, occupancy and other operating expenses including income taxes, and noninterest income such as loan prepayment fees.

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income from interest-earning assets and the resultant average yield; (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; and (v) net interest margin. Average balances are based on average daily balances (dollars in thousands):

	Years Ended December 31, 2014			2013			2012		
	Average Balance	Interest And Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate	Average Balance	Interest and Dividends	Average Yield/ Rate
Interest-earning assets:									
Loans	$77,703	4,366	5.62	$85,145	4,433	5.21 %	$88,968	4,040	4.54 %
Securities	30,082	959	3.11	20,951	783	3.74	25,247	1,038	4.11
Other interest-earning assets (1)	6,165	67	1.23	11,482	64	0.55	24,751	84	0.34
Total interest-earning assets/interest income	113,950	5,392	4.73	117,578	5,280	4.49	138,966	5,162	3.71
Cash and due from banks	5,996			4,831			1,945		
Premises and equipment	2,859			2,922			2,766		
Other assets	5,028			8,465			7,630		
Total assets	$127,833			$133,796			$151,307		
Interest-bearing liabilities:									
Savings, NOW and money- market deposits	28,680	146	0.51	32,706	188	0.59	35,164	220	0.63
Time deposits	60,991	516	0.85	61,855	654	1.06	69,340	883	1.27
Borrowings (4)	28,004	249	0.89	29,727	1,077	3.62	35,170	1,478	4.20
Total interest-bearing liabilities/interest expense	117,675	911	0.77	124,288	1,919	1.54	139,674	2,581	1.85
Noninterest-bearing demand deposits	5,543			3,387			1,194		
Other liabilities	2,340			2,857			2,647		
Stockholders' equity	2,275			3,264			7,792		
Total liabilities and stockholders' equity	$127,833			$133,796			$151,307		
Net interest income		4,481			$3,361			$2,581	

Interest rate spread (2)	3.96	2.95 %	1.86 %
Net interest margin (3)	3.93	2.86 %	1.86 %
Ratio of average interest-earning assets to average interest- bearing liabilities	0.97	0.95	0.99

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

32

Rate/Volume Analysis

The following tables set forth certain information regarding changes in interest income and interest expense for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in rate (change in rate multiplied by prior volume), (2) changes in volume (change in volume multiplied by prior rate) and (3) changes in rate-volume (change in rate multiplied by change in volume) (in thousands):

	Year Ended December 31, 2014 versus 2013 Increases (Decreases) Due to Change In:			
	Rate	**Volume**	**Rate/ Volume**	**Total**
Interest-earning assets:				
Loans	$349	$ (388)	$ (28)	$(67)
Securities	(132)	341	(33)	176
Other interest-earning assets	79	(5)	(71)	3
Total interest-earning assets	296	(52)	(132)	112
Interest-bearing liabilities:				
Savings, NOW and money-market	(22)	(23)	3	(42)
Time deposits	(132)	(9)	3	(138)
Borrowings	(811)	(63)	46	(828)
Total interest-bearing liabilities	(965)	(95)	52	(1,008)
Net interest income	$1,261	$ 43	$ (186)	$1,120

	Year Ended December 31, 2013 versus 2012 Increases (Decreases) Due to Change In:			
	Rate	**Volume**	**Rate/ Volume**	**Total**
Interest-earning assets:				
Loans	$596	$ (174)	$ (29)	$393
Securities	(93)	(177)	15	(255)
Other interest-earning assets	52	(44)	(28)	(20)
Total interest-earning assets	555	(395)	(42)	118

Interest-bearing liabilities:				
Savings, NOW and money-market	(14)	15	(33)	(32)
Time deposits	(146)	(95)	12	(229)
Other	(204)	(248)	51	(401)
Total interest-bearing liabilities	(364)	(328)	30	(662)
Net interest income	$919	$ (67)	$ (72)	$780

33

Financial Condition as of December 31, 2014 Compared to December 31, 2013

The Company's total assets decreased by $4.3 million, to $124.5 million at December 31, 2014, from $128.8 million at December 31, 2013.

The Company currently needs to increase its capital in order for the Company and the Bank to comply with their capital requirements under the Consent Order and the Written Agreement.

At December 31, 2014, the Bank had a Tier 1 leverage ratio of 6.95%, and a total risk-based capital ratio of 10.67%, both of which were below the 8% and 12%, respectfully requirements of the Consent Order. At December 31, 2014, the Bank would have needed approximately $1.2 million in additional capital in order to comply with the total risk-based capital ratio requirement of the Consent Order.

The Company will still need to sell additional shares of common stock to comply with the capital requirements through the end of 2015 and in subsequent years. At the present time, the Company has not received any commitments from any third parties to purchase any additional shares. Accordingly, it is uncertain whether the Company will be able to obtain the capital that is required or the price and terms of any capital that is obtained.

Results of Operations for Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

General. Net income for the year ended December 31, 2014, was $1.6 million or $.18 per basic and diluted share compared to a loss of $7.1 million or $(.89) per basic and diluted share for the year ended December 31, 2013. This $8.7 million improvement in net earnings was primarily the result of the reduction in the provision for loan losses ($2.2 million); reduction in foreclosed real estate expenses ($1.9 million); reduction in noninterest expenses ($0.9 million); reduction in loss on early extinguishment of debt ($1.5 million) and an increase in net interest income ($1.1million).

Interest income. Interest income increased to $5.4 million for the year ended December 31, 2014 compared to $5.3 million for the year ended December 31, 2013. Interest on securities increased by $0.2 million due to an increase in average balance of securities in 2014 compared to 2013, partially offset by a decrease in average yield earned in 2014 compared to 2013.

Interest Expense. Interest expense on deposit accounts decreased to $0.7 million for the year ended December 31, 2014, from $0.8 million for the year ended December 31, 2013. Interest expense on deposits decreased primarily because of a decrease in the average yield paid in 2014 and a decrease in the average balance of deposits. Interest expense on borrowings decreased by $.8 million for the year ended December 31, 2014 from $1.1 million for the year ended December 31, 2013 primarily as the result of the replacement of higher yielding advances with lower cost advances in December 2013.

Provision for Loan Losses. The provision for loan losses for the year ended December 31, 2014, was $0.0 million compared to $2.2 million for the same period in 2013. 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 December 31, 2014. Management's periodic evaluation of the adequacy of the allowance is based upon historical experience, the volume and type of lending conducted by it, 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 its market areas, and other qualitative factors related to the estimated collectability of its loan portfolio. The allowance for loan losses totaled $2.2 million or 2.88% of loans outstanding at December 31, 2014, compared to $2.2 million or 2.73% of loans outstanding at December 31, 2013. Management believes the balance in the allowance for loan losses at December 31, 2014 is adequate.

Noninterest Income. Total noninterest income increased to $0.6 million for the year ended December 31, 2014, from $0.1 million for the year ended December 31, 2013.

Noninterest Expenses. Total noninterest expenses decreased by $4.3 million, to $3.4 million for the year ended December 31, 2014 from $7.7 million for the year ended December 31, 2013, primarily due to a decrease of $2.0 million in foreclosed real estate expenses, a decrease of $1.5 million in loss on early exiting investment of debt and a decrease in other noninterest expenses of $0.9 million.

Income Taxes. Income taxes for the years ended December 31, 2014 and 2013 were $0 and $320,000, respectively. Income taxes for 2013 relates to an Internal Revenue Service audit regarding the Bank's 2009 income tax return, which is being contested.

Results of Operations for Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

General. Net loss for the year ended December 31, 2013, was $7.1 million or $(.89) per basic and diluted share compared to a loss of $4.7 million or $(.69) per basic and diluted share for the year ended December 31, 2012. This $2.4 million increase in the Company's net loss was primarily due to a $1.5 million loss on early extinguishment of FHLB debt, as well as increases in foreclosed real estate expenses and provision for loan losses.

Interest Income. Interest income increased to $5.3 million for the year ended December 31, 2013 compared to $5.2 million for the year ended December 31, 2012. Interest income on loans increased by $0.4 million. Interest on securities decreased by $0.2 million.

Interest Expense. Interest expense on deposit accounts decreased to $0.8 million for the year ended December 31, 2013, from $1.1 million for the year ended December 31, 2012. Interest expense on deposits decreased primarily because of a decrease in the average yield paid in 2013 and a decrease in the average balance of deposits. Interest expense on borrowings decreased by $.4 million for the year ended December 31, 2013 from $1.5 million for the year ended December 31, 2012.

Provision for Loan Losses. The provision for loan losses for the year ended December 31, 2013, was $2.2 million compared to $1.7 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 December 31, 2013. Management's periodic evaluation of the adequacy of the allowance is based upon historical experience, the volume and type of lending conducted by it, 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 its market areas, and other qualitative factors related to the estimated collectability of its loan portfolio. The allowance for loan losses totaled $2.2 million or 2.73% of loans outstanding at December 31, 2013, compared to $2.5 million or 2.81% of loans outstanding at December 31, 2012. The decrease in the allowance was due to the use of specific reserves for charge-offs of loans deemed uncollectible. Management believes the balance in the allowance for loan losses at December 31, 2013 is adequate.

Noninterest Income. Total noninterest income decreased to $0.1 million for the year ended December 31, 2013, from $0.3 million for the year ended December 31, 2012.

Noninterest Expenses. Total noninterest expenses increased by $2.2 million, to $7.7 million for the year ended December 31, 2013 from $5.5 million for the year ended December 31, 2012, primarily due to loss on early extinguishment of Federal Home Loan Bank advances in order to replace longer term higher yielding advances with shorter term lower yielding advances as well as an increase in foreclosed real estate expenses.

Income Taxes. Income taxes for the years ended December 31, 2013 and 2012 were $320,000 and $0, respectively. The income tax expense for 2013 relates to an Internal Revenue Service audit regarding the Bank’s 2009 income tax return, which is being contested.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, substantially all of the Bank’s assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on its performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since such prices are affected by inflation to a larger extent than interest rates.

Item 8. Financial Statements

Audited Consolidated Financial Statements

December 31, 2014 and 2013 and for the Years Then Ended

(Together with Report of Independent Registered Public Accounting Firm)

Report of Independent Registered Public Accounting Firm

Final Statement

OptimumBank Holdings, Inc.

Fort Lauderdale, Florida:

We have audited the accompanying consolidated balance sheets of OptimumBank Holdings, Inc. and Subsidiary (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in notes 1 and 7 to the consolidated financial statements, the Company is in technical default with respect to its Junior Subordinated Debenture ("Debt "Securities"). The holders of the Debt Securities could demand immediate payment of the outstanding debt of $5,155,000 and accrued and unpaid interest, which raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

HACKER, JOHNSON & SMITH PA

Fort Lauderdale, Florida

March 31, 2015

37

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	December 31, 2014	December 31, 2013
Assets:		
Cash and due from banks	$11,601	$5,451
Interest-bearing deposits with banks	473	8,430
Total cash and cash equivalents	12,074	13,881
Securities available for sale	26,748	22,990
Loans, net of allowance for loan losses of $2,244 and $2,211	75,829	79,249
Federal Home Loan Bank stock	1,229	1,196
Premises and equipment, net	2,836	2,879
Foreclosed real estate, net	4,880	7,553
Accrued interest receivable	426	496
Other assets	508	539
Total assets	$124,530	$128,783
Liabilities and Stockholders' (Deficit) Equity		
Liabilities:		
Noninterest-bearing demand deposits	9,195	3,775
Savings, NOW and money-market deposits	24,344	30,801
Time deposits	58,064	64,116
Total deposits	91,603	98,692
Federal Home Loan Bank advances	22,740	22,740
Junior subordinated debenture	5,155	5,155
Advanced payment by borrowers for taxes and insurance	241	315
Official checks	219	344
Other liabilities	1,593	1,753
Total liabilities	121,551	128,999
Commitments and contingencies (Notes 1, 4, 8, 13 and 15)		
Stockholders' equity (deficit)		
Preferred stock, no par value; 6,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $.01 par value; 50,000,000 shares authorized, 9,305,236 and 8,011,077 shares issued and outstanding in 2014 and 2013	93	80
Additional paid-in capital	32,961	31,463
Accumulated deficit	(30,158)	(31,763)
Accumulated other comprehensive income	83	4

Total stockholders' equity (deficit)	2,979	(216)
Total liabilities and stockholders' equity (deficit)	$124,530	$128,783

See Accompanying Notes to Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Operations

(In thousands, except share amounts)

	Year Ended December 31,	
	2014	**2013**
Interest income:		
Loans	$4,366	$4,433
Securities	959	783
Other	67	64
Total interest income	5,392	5,280
Interest expense:		
Deposits	662	842
Borrowings	249	1,077
Total interest expense	911	1,919
Net interest income	4,481	3,361
Provision for loan losses	—	2,194
Net interest income after provision for loan losses	4,481	1,167
Noninterest income:		
Service charges and fees	284	122
Other	152	42
Gain/Loss on sale of securities available for sale	136	(20)
Total noninterest income	572	144
Noninterest expenses:		
Salaries and employee benefits	1,963	2,081
Occupancy and equipment	504	536
Data processing	307	310
Professional fees	862	1,082
Insurance	136	270
Foreclosed real estate expenses	(654)	1,262
Regulatory assessments	387	334
Loss on early extinguishment of debt	—	1,548
Other	(81)	281

Total noninterest expenses	3,424	7,704
Other-than-temporary impairment on securities:		
Total other-than-temporary impairment losses	24	362
Portion of losses recognized in other comprehensive income	—	—
Net impairment loss	24	362
Earnings (Loss) before income taxe	1,605	(6,755)
Income taxes	—	320