SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): April 13, 2005

SCHLUMBERGER N.V. (SCHLUMBERGER LIMITED)

(Exact name of registrant as specified in its charter)

Netherlands Antilles	**1-4601**	**52-0684746**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

153 East 53rd Street, 57th Floor New York, New York 10022-4624

42, rue Saint-Dominique, Paris, France 75007

Parkstraat 83, The Hague, The Netherlands 2514 JG

(Addresses of principal executive offices and zip or postal codes)

Registrant s telephone number in the United States, including area code: (212) 350-9400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On April 13, 2005, the stockholders of Schlumberger Limited (Schlumberger N.V.), a Netherlands Antilles corporation (Schlumberger), adopted the Schlumberger 2005 Stock Option Plan (the 2005 Plan) and approved an amendment (the DSPP Amendment) to the Schlumberger Discounted Stock Purchase Plan (the DSPP). The 2005 Plan provides for the grant to Schlumberger employees of stock options covering up to 9,000,000 shares of common stock, and the DSPP Amendment increases the number of shares of common stock available for purchase under the DSPP by 6,000,000 shares. Both the 2005 Plan and the DSPP Amendment were approved by Schlumberger s Board of Directors on January 20, 2005, subject to stockholder approval, and are effective as of that date.

A description of the terms of the 2005 Plan and the DSPP can be found in Schlumberger s definitive proxy statement for the 2005 Annual General Meeting of Stockholders held on April 13, 2005, which was filed with the Securities and Exchange Commission on March 15, 2005. The sections of the definitive proxy statement entitled 4. Approval of the Adoption of the Schlumberger 2005 Stock Option Plan and 5. Approval of an Amendment to the Schlumberger Discounted Stock Purchase Plan are incorporated by reference herein.

Item 8.01 Other Events.

On April 13, 2005, the stockholders of Schlumberger also approved (1) mandatory amendments to Schlumberger s Articles of Incorporation required to comply with the recent changes in Netherlands Antilles law and (2) voluntary amendments to Schlumberger s Articles of Incorporation to (a) take advantage of the flexibility provided by the recent changes in the Netherlands Antilles law, or (b) clarify or update certain provisions of the Articles of Incorporation. A description of the amendments can be found in Schlumberger s definitive proxy statement for the 2005 Annual General Meeting of Stockholders held on April 13, 2005, which was filed with the Securities and Exchange Commission on March 15, 2005. The section of the definitive proxy statement entitled 3. Adoption of Amendments to the Articles of Incorporation of the Company is incorporated by reference herein. A copy of Schlumberger s Articles of Incorporation, as amended and restated, are attached hereto as Exhibit 3.1 and are incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

3.1 Articles of Incorporation of Schlumberger Limited (Schlumberger N.V.) as last amended and restated on April 13, 2005 (incorporated by reference to Appendix 1 to Schlumberger s definitive proxy statement for the 2005 Annual General Meeting of Stockholders held on April 13, 2005).

10.1 Schlumberger 2005 Stock Option Plan (incorporated by reference to Appendix 2 to Schlumberger s definitive proxy statement for the 2005 Annual General Meeting of Stockholders held on April 13, 2005).

10.2 Fifth Amendment to Schlumberger Discounted Stock Purchase Plan (incorporated by reference to Appendix 3 to Schlumberger s definitive proxy statement for the 2005 Annual General Meeting of Stockholders held on April 13, 2005).

SIGNATURE

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

SCHLUMBERGER N.V.
(SCHLUMBERGER LIMITED)

By: /s/ Frank A. Sorgie

Frank A. Sorgie
Chief Accounting Officer

Date: April 19, 2005

ndent: 0.5in">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

26

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.

27

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.

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.

35

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)

36

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

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	December 31,	
	2014	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.

38

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
Net earnings (loss)	$1,605	$(7,075)
Net earnings (loss) per share:		
Basic	$.18	$(.89)
Diluted	$.18	$(.89)

See Accompanying Notes to Consolidated Financial Statements.

39

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Three Months Ended December 31,	
	2014	**2013**
Net earnings (loss)	$1,605	$(7,075)
Other comprehensive income (loss):		
Unrealized (loss) gains on securities available for sale:		
Unrealized gain arising during the year	288	160
Other-than-temporary impairment on securities	(24)	(362)
Gain (loss) on sale of securities available for sale	(136)	(20)
Net change in unrealized holding gains (losses)	128	(222)
Deferred income taxes on above change	49	—
Total other comprehensive income (loss)	79	(222)
Comprehensive income (loss)	$1,684	$(7,297)

See Accompanying Notes to Consolidated Financial Statements.

40

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity (Deficit)

Years Ended December 31, 2014 and 2013

(Dollars in thousands)

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Compre-hensive Income	Total Stockholders' Equity (Deficit)
Balance at December 31, 2012	31,511,201	$ 315	$ 31,057	$ (24,688)	$ 226	$ 6,910
Reverse stock split 1-for-4	(23,633,164)	(236)	236	—	—	—
Proceeds from sale of common stock	104,166	1	123	—	—	124
Stock compensation	28,874	—	47	—	—	47
Net change in unrealized loss on securities available for sale	—	—	—	—	(222)	(222)
Net loss	—	—	—	(7,075)	—	(7,075)
Balance at December 31, 2013	8,011,077	$ 80	$ 31,463	$ (31,763)	$ 4	$ (216)
Proceeds from sale of common stock	1,092,719	13	1,259	—	—	1,272
Stock compensation	201,440	—	239	—	—	239
Net change in unrealized gain on securities available for sale	—	—	—	—	79	79
Net earnings	—	—	—	1,605	0	1,605
Balance at December 31, 2014	9,305,236	$ 93	$ 32,961	$ (30,158)	$ 83	$ 2,979

See Accompanying Notes to Consolidated Financial Statements.

41

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,	
	2014	**2013**
Cash flows from operating activities:		
Net earnings (loss)	$1,605	$(7,075)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	176	198
Provision for loan losses	—	2,194
Stock compensation	239	47
Net amortization of fees, premiums and discounts	338	40
(Gain)/Loss from sale of securities available for sale	(136)	20
Decrease in accrued interest receivable	70	3
Increase in other assets	(18)	(85)
(Gain)/Loss on sale of foreclosed real estate	(809)	135
Provision for losses on foreclosed real estate	99	1,004
(Decrease) increase in official checks and other Liabilities	(285)	191
Other-than-temporary impairment of securities available for sale	24	362
Net cash provided by (used in) operating activities	1,303	(2,966)
Cash flows from investing activities:		
Purchases of securities	(20,436)	(15,673)
Principal repayments and calls of securities	3,671	8,718
Proceeds from sale of securities	13,120	1,969
Net decrease in loans	2,476	3,069
Purchase of premises and equipment, net	(133)	(171)
Proceeds from sale of foreclosed real estate, net	4,116	2,943
(Purchase)/Redemption of Federal Home Loan Bank stock	(33)	282
Net cash provided by investing activities	2,781	1,137
Cash flows from financing activities:		
Net decrease in deposits	(7,089)	(2,919)
Proceeds from sale of common stock	1,272	124
Proceeds from Federal Home Loan Bank advances	—	22,740
Repayments of Federal Home Loan Bank advances	—	(27,700)
Net decrease in advanced payment by borrowers for taxes and insurance	(74)	(146)
Net cash used in financing activities	(5,891)	(7,901)
Decrease in cash and cash equivalents	(1,807)	(9,730)
Cash and cash equivalents at beginning of the year	13,881	23,611
Cash and cash equivalents at end of the year	$12,074	$13,881

(continued)

42

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows, Continued

(In thousands)

	Year Ended December 31,	
	2014	**2013**
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$753	$1,926
Income taxes	$—	$0
Noncash transactions:		
Change in accumulated other comprehensive income, net change in unrealized gain on securities available for sale	$79	$(222)
Loans transferred to foreclosed real estate	$733	$697

See Accompanying Notes to Consolidated Financial Statements.

43

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2014 and 2013 and the Years Then Ended

(1) Summary of Significant Accounting Policies

Organization. OptimumBank Holdings, Inc. (the "Holding Company") is a one-bank holding company and owns 100% of OptimumBank (the "Bank"), a state (Florida)-chartered commercial bank. The Bank's wholly-owned subsidiaries are OB Real Estate Management, LLC, OB Real Estate Holdings, LLC and OB Real Estate Holding 1503, LLC, all of which were formed in 2009, OB Real Estate Holdings 1695, OB Real Estate Holdings 1669, OB Real Estate Holdings 1645, OB Real Estate Holdings 1620 and OB Real Estate Holdings 1565, all formed in 2010; OB Real Estate Holdings 1443 and OB Real Estate Holdings Northwood, OB Real Estate Holdings 1596, OB Real Estate Holdings 1636 formed in 2011; and OB Real Estate Holdings 1655, OB Real Estate Holdings 1692, OB Real Estate Holdings 1704, OB Real Estate Holdings Rosemary and OB Real Estate Holdings Sillato formed in 2012, OB Real Estate Holdings 1732 formed in 2013 and OB Real Estate Holdings 1501 formed in 2014. (the "Real Estate Holding Subsidiaries"). The Holding Company's only business is the operation of the Bank and its subsidiaries (collectively, the "Company"). The Bank's deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). The Bank offers a variety of community banking services to individual and corporate customers through its three banking offices located in Broward County, Florida. OB Real Estate Management, LLC is primarily engaged in managing foreclosed real estate. This subsidiary had no activity in 2013 and 2012. All other subsidiaries are primarily engaged in holding and disposing of foreclosed real estate.

Basis of Presentation. The accompanying consolidated financial statements include the accounts of the Holding Company, the Bank and the Real Estate Holding Subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The accounting and reporting practices of the Company conform to U.S. generally accepted accounting principles and to general practices within the banking industry. The following summarizes the more significant of these policies and practices:

Going Concern Status. 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, 2014. 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.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Use of Estimates. In preparing consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of foreclosed real estate, and the deferred tax asset.

Cash and Cash Equivalents. For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and interest-bearing deposits, all of which have original maturities of ninety days or less.

The Company may be required by law or regulation to maintain cash reserves in the form of vault cash or in accounts with other banks. There were no reserve balances required at December 31, 2014 and 2013.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Securities. Securities may be classified as either trading, held to maturity or available for sale. Trading securities are held principally for resale and recorded at their fair values. Unrealized gains and losses on trading securities are included immediately in operations. Held to maturity securities are those which management has the positive intent and ability to hold to maturity and are reported at amortized cost. Available for sale securities consist of securities not classified as trading securities nor as held to maturity securities. Unrealized holding gains and losses on available for sale securities are reported as a net amount in accumulated other comprehensive income in stockholders' equity (deficit) until realized. Gains and losses on the sale of available for sale securities are determined using the specific-identification method. Premiums and discounts on securities are recognized in interest income using the interest method over the period to maturity.

Loans. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal, adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs.

Commitment fees and loan origination fees are deferred and certain direct origination costs are capitalized. Both are recognized as an adjustment of the yield of the related loan.

The accrual of interest on loans is discontinued at the time the loan is ninety days delinquent unless the loan is well collateralized and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to operations. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. There were no changes in the Company's accounting policies or methodology during the years ended December 31, 2014 and 2013.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, 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 prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Allowance for Loan Losses, Continued. The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loans are lower than the carrying value of those loans. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors.

The historical loss component of the allowance is determined by losses recognized by portfolio segment over the preceding three years. The historical loss experience is adjusted for the risks by each portfolio segment. Risk factors impacting loans in each of the portfolio segments include: economic trends and conditions; experience, ability and depth of lending management; national and local political environment; industry conditions and trends in charge-offs; and other trends or uncertainties that could affect management's estimate of probable losses.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis, 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.

Foreclosed Real Estate. Real estate acquired through, or in lieu of, loan foreclosure is to be sold and is initially recorded at fair value less estimated selling costs at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of the new cost basis or fair value less cost to sell. Revenue and expenses from operations are included in the consolidated statements of operations.

Premises and Equipment. Land is stated at cost. Buildings and improvements, furniture, fixtures, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization expense are computed using the straight-line method over the estimated useful life of each type of asset or lease term, if shorter.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Preferred Securities of Unconsolidated Subsidiary Trust. The Company owns all of the common stock of OptimumBank Holdings Capital Trust I ("Issuer Trust"), an unconsolidated subsidiary trust. The Issuer Trust used the proceeds from the issuance of $5,000,000 of its preferred securities to third-party investors and common stock to acquire a $5,155,000 debenture issued by the Company. This debenture and certain capitalized costs associated with the issuance of the securities comprise the Issuer Trust's only assets and the interest payments from the debentures finance the distributions paid on the preferred securities. The Company recorded the debenture in "Junior Subordinated Debenture" and its equity interest in the business trust in "Other Assets" on the consolidated balance sheets (See Note 7).

The Company has entered into agreements which, taken collectively, fully and unconditionally guarantee the preferred securities of the Issuer Trust subject to the terms of the guarantee.

Transfer of Financial Assets. Transfers of financial assets or a participating interest in an entire financial asset are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. A participating interest is a portion of an entire financial asset that (1) conveys proportionate ownership rights with equal priority to each participating interest holder (2) involves no recourse (other than standard representations and warranties) to, or subordination by, any participating interest holder, and (3) does not entitle any participating interest holder to receive cash before any other participating interest holder.

Income Taxes. There are two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods.

(continued)

48

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Income Taxes, Continued. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company provides reserves for potential payments of tax related to uncertain tax positions. These reserves are based on a determination of whether and how much of a tax benefit taken by the Company in its tax filings or positions is more likely than not to be realized following resolution of any potential contingencies present related to the tax benefit. Potential interest and penalties associated with such uncertain tax positions is recorded as a component of income tax expense. See Note 10, below, for additional details.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Holding Company and the Bank file a consolidated income tax return. Income taxes are allocated proportionately to the Holding Company and the Bank as though separate income tax returns were filed.

Advertising. The Company expenses all media advertising as incurred. Media advertising expense included in other noninterest expenses in the accompanying consolidated statements of operations was approximately $6,100 and $5,400 during the years ended December 31, 2014 and 2013, respectively.

Stock Compensation Plan. The Company has adopted the fair value recognition method and expenses the fair value of any stock options as they vest. Under the fair value recognition method, the Company recognizes stock-based compensation in the accompanying consolidated statements of operations.

(continued)

49

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Earnings (Loss) Per Share. Basic earnings (loss) per share is computed on the basis of the weighted-average number of common shares outstanding. In 2013, basic and diluted loss per share is the same due to the net loss incurred by the Company. For the year ended December 31, 2014 basic and diluted earnings per share are the same because stock options outstanding during the year were not dilutive due to their exercise prices exceeding the fair value of the Company's common stock during the year. Earnings (Loss) per common share has been computed based on the following:

	Year Ended December 31,	
	2014	**2013**
Weighted-average number of common shares outstanding used to calculate basic and diluted earnings (loss) per common share	8,677,891	7,913,585

Off-Balance-Sheet Financial Instruments. In the ordinary course of business the Company may enter into off-balance-sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Fair Value Measurements. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

(continued)

50

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued. The following describes valuation methodologies used for assets measured at fair value:

Securities Available for Sale. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain mortgage-backed securities and U.S. Government and agency securities.

Impaired Loans. The Company’s impaired loans are normally collateral dependent and, as such, are carried at the lower of the Company’s net recorded investment in the loan or fair market value of the collateral less estimated selling costs. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company’s management related to values of properties in the Company’s market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, fair value estimates for impaired loans are classified as Level 3.

Foreclosed Real Estate. Estimates of fair values are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company’s management related to values of properties in the Company’s market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, the fair values estimates for foreclosed real estate are classified as Level 3.

Fair Values of Financial Instruments. The following methods and assumptions were used by the Company in estimating fair values of financial instruments disclosed herein:

Cash and Cash Equivalents. The carrying amounts of cash and cash equivalents approximate their fair value.

Securities. Fair values for securities are based on the framework for measuring fair value established by GAAP.

Loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for fixed-rate loans, including fixed-rate residential and commercial real estate and commercial loans, are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Fair Values of Financial Instruments, Continued.

Federal Home Loan Bank Stock. Fair value of the Company's investment in Federal Home Loan Bank stock is based on its redemption value, which is its cost of $100 per share.

Accrued Interest Receivable. The carrying amount of accrued interest approximates its fair value.

Deposit Liabilities. The fair values disclosed for demand, NOW, money-market and savings deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities of time deposits.

Federal Home Loan Bank Advances and Junior Subordinated Debenture. Fair values of Federal Home Loan Bank advances and junior subordinated debenture are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowings.

Off-Balance-Sheet Financial Instruments. Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Comprehensive Income (Loss). GAAP generally requires that recognized revenue, expenses, gains and losses be included in net earnings (loss). Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the consolidated balance sheets, such items along with net loss, are components of comprehensive income (loss). The only component of other comprehensive income (loss) is the net change in the unrealized gains on the securities available for sale.

Recent Pronouncements. In January 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-04, *Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure,* which is intended to clarify when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, such that the loan should be derecognized and the real estate recognized. These amendments clarify that when a repossession or foreclosure occurs, a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either: (a) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure; or (b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additional disclosures are required. The amendments are effective for the Company beginning January 1, 2015. The adoption of this guidance is not expected to have any impact on the Company's consolidated financial statements.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Recent Regulatory Developments

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

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

(2) Securities

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

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
At December 31, 2014:				
Securities Available for Sale-				
Mortgage-backed securities	$ 14,621	$ 164	$ (25)	$14,760
U.S. Government and agency securities	11,995	33	(40)	11,988
Total	$ 26,616	$ 197	$ (65)	$26,748

At December 31, 2013:				
Securities Available for Sale-				
Mortgage-backed securities	$ 10,425	$ 269	$ (69)	$ 10,625
U.S. Government and agency securities	12,561	37	(233)	12,365
Total	$ 22,986	$ 306	$ (302)	$ 22,990

(continued)

53

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(2) Securities, Continued

The amortized cost and carrying value of securities at December 31, 2014 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without cost of prepayment penalties. Securities not due at a single maturity date are shown separately (in thousands):

	Securities Available for Sale	
	Amortized Cost	**Fair Value**
Due in ten years or more	$11,995	$11,988
Mortgage-backed securities	14,621	14,760
	$26,616	$26,748

The following summarizes sales of securities (in thousands):

	Year Ended December 31,	
	2014	**2013**
Proceeds from sales of securities	$13,120	$1,969
Gross gains from sale of securities	168	8
Gross losses from sale of securities	(32)	(28)
Net gain (loss) from sales of securities	$136	$(20)

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

	At December 31, 2014			
	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
Mortgage-backed securities	$(25)	$2,553	$—	$—
U.S. Government and agency securities	—	—	(40)	6,402
	$(25)	$2,553	$(40)	$6,402

	At December 31, 2013			
	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
Mortgage-backed securities	$—	$ —	$(69)	$2,256
U.S. Government and agency securities	—	—	(233)	8,896
	$—	$ —	$(302)	$11,152

(continued)

54

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

At December 31, 2014, the unrealized losses on ten investment securities were caused by market conditions. It is expected that the securities would not be settled at a price less than the book value of the investments. Because the decline in fair value is attributable to market conditions and not credit quality, and because the Company has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(2) Securities, Continued

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

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

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(2) Securities, Continued

The key base assumptions for mortgage-backed securities used are in the table below:

	At December 31, 2014	At December 31, 2013
Prepayment rate	8 %	8-21 %
Loss severity	10-30 %	32-60 %
Cumulative default rate	2.6-16 %	0.75-14.2 %
Principal write-down	11.04 %	0-34.06 %

Loss severity rates are estimated based on collateral characteristics for single family first mortgages.

The Company recorded OTTI of $24,000 and $362,000 during the years ended December 31, 2014 and 2013 respectively.

Available-for-sale securities measured at fair value on a recurring basis are summarized below (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

		1)		
At December 31, 2014:				
Mortgage-backed securities	$14,760	$—	$ 14,760	$ —
U.S. Government and agency securities	11,988	—	11,988	—
	$26,748	$ —	$ 26,748	$ —
At December 31, 2013:				
Mortgage-backed securities	$10,625	$—	$ 10,625	$ —
U.S. Government and agency securities	12,365	—	12,365	—
	$22,990	$ —	$ 22,990	$ —

During the years ended December 31, 2014 and 2013, no securities were transferred in or out of Level 1, Level 2 or Level 3.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans

The components of loans are as follows (in thousands):

	At December 31, 2014	2013
Residential real estate	$21,276	$26,468
Multi-family real estate	1,979	3,605
Commercial real estate	31,255	27,883
Land and construction	6,177	6,459
Commercial	17,180	16,584
Consumer	20	81
Total loans	77,887	81,080
Add (deduct):		
Net deferred loan fees, costs and premiums	186	380
Allowance for loan losses	(2,244)	(2,211)
Loans, net	$75,829	$79,249

An analysis of the change in the allowance for loan losses for the years ended December 31, 2014 and 2013 follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Unallocated	Total
Year Ended December 31, 2014:								
Beginning balance	$ 49	$ 4	$ 934	$ 458	$ 61	$ —	$ 705	$2,211
(Credit) provision for loan losses	(4)	(2)	655	(359)	(39)	(13)	(238)	—
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	20	—	—	—	—	13	—	33

Ending balance	$ 65	$ 2	$ 1,589	$ 99	$ 22	$ —	$ 467	$2,244
Year Ended December 31, 2013:								
Beginning balance	$ 434	$ 267	$ 1,372	$ 166	$ 216	$ 4	$ —	$2,459
(Credit) provision for loan losses	(288)	(263)	2,235	(23)	(155)	(17)	705	2,194
Charge-offs	(97)	—	(2,862)	—	—	—	—	(2,959)
Recoveries	—	—	189	315	—	13	—	517
Ending balance	$ 49	$ 4	$ 934	$ 458	$ 61	$ —	$ 705	$2,211

(continued)

58

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans, Continued

The balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2014 and 2013 follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Unallocated	Total
At December 31, 2014:								
Individually evaluated for impairment:								
Recorded investment	$ 4,838	$ —	$ 4,096	$ —	$ 1,151	$ —	$ —	$10,085
Balance in allowance for loan losses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$—
Collectively evaluated for impairment:								
Recorded investment	$ 16,438	$ 1,979	$ 27,159	$ 6,177	$ 16,029	$ 20	$ —	$67,802
Balance in allowance for loan losses	$ 65	$ 2	$ 1,589	$ 99	$ 22	$ —	$ 467	$2,244
At December 31, 2013:								
Individually evaluated for impairment:								
Recorded investment	$ 7,100	$ —	$ 5,227	$ —	$ 1,216	$ —	$ —	$13,543
Balance in allowance for loan losses	$ —	$ —	$ 192	$ —	$ —	$ —	$ —	$192
Collectively evaluated for impairment:								
Recorded investment	$ 19,368	$ 3,605	$ 22,656	$ 6,459	$ 15,368	$ 81	$ —	$67,537
Balance in allowance for loan losses	$ 49	$ 4	$ 742	$ 458	$ 61	$ —	$ 705	$2,019

(continued)

59

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans, Continued

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

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

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans, Continued

Commercial. Commercial business loans and lines of credit consist of loans to small- and medium-sized companies in the Company’s market area. Commercial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Primarily all of the Company’s commercial loans are secured loans, along with a small amount of unsecured loans. The Company’s underwriting analysis consists of a review of the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. These loans are generally secured by accounts receivable, inventory and equipment. Commercial loans are typically made on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business, which makes them of higher risk than residential loans and the collateral securing loans may be difficult to appraise and may fluctuate in value based on the success of the business. The Company seeks to minimize these risks through its underwriting standards.

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

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans, Continued

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

	Pass	OLEM (Other Loans Especially Mentioned)	Substandard	Doubtful	Loss	Total
At December 31, 2014:						
Residential real estate	$15,170	$ —	$ 6,106	$ —	$ —	$21,276
Multi-family real estate	1,979	—	—	—	—	1,979
Commercial real estate	28,391	602	2,262	—	—	31,255
Land and construction	4,232	1,945	—	—	—	6,177
Commercial	12,938	—	4,242	—	—	17,180
Consumer	20	—	—	—	—	20
Total	$62,730	$ 2,547	$ 12,610	$ —	$ —	$77,887
At December 31, 2013:						
Residential real estate	$18,260	$ 1,290	$ 6,918	$ —	$ —	$26,468
Multi-family real estate	3,605	—	—	—	—	3,605
Commercial real estate	18,544	2,539	6,800	—	—	27,883
Land and construction	4,493	1,966	—	—	—	6,459
Commercial	13,056	546	2,982	—	—	16,584
Consumer	81	—	—	—	—	81
Total	$58,039	$ 6,341	$ 16,700	$ —	$ —	$81,080

Internally assigned loan grades are defined as follows:

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

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

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans, Continued

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

Doubtful – a loan classified as Doubtful has all the weaknesses inherent in one classified as Substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. The Company charges off any loan classified as Doubtful.

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

Age analysis of past-due loans is as follows (in thousands):

	Accruing Loans						
	30-59 Days Past Due	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total Past Due**	**Current**	**Nonaccrual Loans**	**Total Loans**
At December 31, 2014:							
Residential real estate	$—	$1,267	$ —	$1,267	$17,910	$ 2,099	$21,276
Multi-family real estate	—	—	—	—	1,979	—	1,979
Commercial real estate	293	—	—	293	29,895	1,067	31,255
Land and construction	—	—	—	—	6,177	—	6,177
Commercial	—	—	—	—	16,029	1,151	17,180
Consumer	—	—	—	—	20	—	20
Total	$293	$1,267	$ —	$1,560	$72,010	$ 4,317	$77,887
At December 31, 2013:							
Residential real estate	$1,290	$—	$ —	$1,290	$20,895	$ 4,283	$26,468
Multi-family real estate	—	—	—	—	3,605	—	3,605
Commercial real estate	—	—	—	—	24,565	3,318	27,883
Land and construction	—	—	—	—	6,459	—	6,459
Commercial	281	—	—	281	15,087	1,216	16,584

Consumer	—	—	—	—	81	—	81
Total	$1,571	$—	$ —	$1,571	$70,692	$ 8,817	$81,080

(continued)

63

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans, Continued

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

	At 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	$4,838	$ 5,345	$ —	$7,100	$ 7,607	$ —
Commercial real estate	4,096	5,910	—	4,128	4,534	—
Commercial	1,151	1,392	—	1,216	1,458	—
With an allowance recorded:						
Commercial real estate	$—	$ —	$ —	$1,099	$ 2,913	$ 192
Total:						
Residential real estate	$4,838	$ 5,345	$ —	$7,100	$ 7,607	$ —
Commercial real estate	$4,096	$ 5,910	$ —	$5,227	$ 7,447	$ 192
Commercial	$1,151	$ 1,392	$ —	$1,216	$ 1,458	$ —
Total	$10,085	$ 12,647	$ —	$13,543	$ 16,512	$ 192

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

	For the Year Ended December 31,					
	2014			2013		
	Average Recorded Investment	**Interest Income Recognized**	**Interest Income Received**	**Average Recorded Investment**	**Interest Income Recognized**	**Interest Income Received**
Residential real estate	$5,929	$ 421	$ 317	$7,255	$ 264	$ 594
Commercial real estate	$4,421	$ 253	$ 204	$8,807	$ 277	$ 448
Land and construction	$—	$ —	$ —	$408	$ 55	$ 81
Commercial	$1,181	$ —	$ 66	$1,389	$ —	$ 60
Total	$11,531	$ 674	$ 587	$17,859	$ 596	$ 1,183

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Loans, Continued

There were no loans determined to be troubled debt restructurings during the years ended December 31, 2014 and 2013.

(4) Premises and Equipment

A summary of premises and equipment follows (in thousands):

	At December 31,	
	2014	**2013**
Land	$1,171	$1,171
Buildings and improvements	2,053	2,053
Furniture, fixtures and equipment	1,372	1,271
Leasehold improvements	122	119
Total, at cost	4,718	4,614
Less accumulated depreciation and amortization	(1,882)	(1,735)
Premises and equipment, net	$2,836	$2,879

(continued)

65

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(4) Premises and Equipment, Continued

The Company currently leases one branch facility under operating lease. The lease contains renewal options and requires the Company to pay an allowable share of common area maintenance and real estate taxes. Rent expense under the operating lease during the years ended December 31, 2014 and 2013 was $76,600 and $80,000, respectively. 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

(5) Foreclosed Real Estate

Expenses (income) applicable to foreclosed real estate are as follows (in thousands):

	Year Ended December 31,	
	2014	**2013**
Provision for losses on foreclosed real estate	$99	$1,004
(Gain) Loss on sale of foreclosed real estate	(809)	135
Operating expenses	56	123
	$(654)	$1,262

(6) Deposits

The aggregate amount of time deposits with a minimum denomination of $100,000 was approximately $18.3 million and $21.7 million at December 31, 2014 and 2013, respectively.

A schedule of maturities of time deposits at December 31, 2014 follows (in thousands):

Year Ending December 31,	Amount
2015	$ 42,572
2016	12,425
2017	2,058
2018	454
2019	555
	$ 58,064

(continued)

66

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(7) Federal Home Loan Bank Advances and Junior Subordinated Debenture

The maturities and interest rates on the Federal Home Loan Bank ("FHLB") advances were as follows (dollars in thousands):

Maturity Year Ending December 31,	**Interest Rate**	**At December 31, 2014**	**2013**
2015	0.36	12,740	12,740
2015	0.47	10,000	10,000
		$22,740	$22,740

At December 31, 2014 and 2013, the FHLB advances were collateralized by $13.2 million and $7.1 million, respectively, of securities and by a lien on qualifying residential one-to-four family mortgage loans, commercial and multi-family real estate loans and second mortgage loans.

On September 30, 2004, the Company issued a $5,155,000 junior subordinated debenture to an unconsolidated subsidiary. The debenture has a term of thirty years. The interest rate was fixed at 6.4% for the first five years, and thereafter, the coupon rate floats quarterly at the three-month LIBOR rate plus 2.45% (2.68% at December 31, 2014). The junior subordinated debenture, due in 2034, is redeemable in certain circumstances after October 2009. The terms of the debenture agreement allow the Company to defer payments of interest on the debenture by extending the interest payment period at any time during the term of the debenture for up to twenty consecutive quarterly periods. During 2014 and 2013, the Company exercised its right to defer payment of interest on the debenture. Interest payments deferred as of December 31, 2014 and 2013 totaled $793,000 and $638,000, respectively. The Company has deferred interest payments with respect to its junior subordinated debenture for the maximum allowable twenty consecutive quarterly payments. As discussed in note 13 the Company is not able to make these interest payments without the prior approval of the Federal Reserve Bank of Atlanta. Regulatory approval to pay said accrued and unpaid interest has been denied. The holder of the Junior Subordinated Debenture can accelerate the $5,155,000 principal balance due at December 31, 2014 as a result of this technical default. 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. Due to the Debenture Litigation, and based on the advice of legal counsel, it is not possible for the Company to determine when or whether the purchase will be consummated. Therefore, the Company is continuing to pursue regulatory approval for the interest payment and other mechanisms for paying the accrued interest.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(8) Financial Instruments

The estimated fair values of the Company's financial instruments were as follows (in thousands):

	At December 31, 2014		**At December 31, 2013**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets:				
Cash and cash equivalents	$12,074	$12,074	$13,881	$13,881
Securities available for sale	26,748	26,748	22,990	22,990
Loans	75,829	75,621	79,249	79,043
Federal Home Loan Bank stock	1,229	1,229	1,196	1,196
Accrued interest receivable	426	426	496	496
Financial liabilities:				
Deposit liabilities	91,603	91,849	98,692	99,003
Federal Home Loan Bank advances	22,740	22,744	22,740	22,734
Junior subordinated debenture	5,155	4,828	5,155	4,828
Off-balance sheet financial instruments	—	—	—	—

The Company 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 are commitments to extend credit and may involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated balance sheet. The contract amounts of these instruments reflect the extent of involvement the Company has in these financial instruments.

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer’s credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon extension of credit, is based on management’s credit evaluation of the counterparty.

As of December 31, 2014, commitments to extend credit totaled $2.6 million.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(9) Credit Risk

The Company grants the majority of its loans to borrowers throughout Broward County, Florida and portions of Palm Beach and Miami-Dade Counties, Florida. Although the Company has a diversified loan portfolio, a significant portion of its borrowers' ability to repay their loans and meet their contractual obligations to the Company is dependent upon the economy in Broward, Palm Beach and Miami-Dade Counties, Florida.

(10) Income Taxes

Income taxes consisted of the following (in thousands):

	Year Ended December 31,	
	2014	**2013**
Current:		
Federal	$—	$320
State	—	—
Total Current	—	320
Deferred:		
Federal	530	(2,169)
State	91	(371)
Change in Valuation Allowance	(621)	2,540
Total Deferred	—	—
Total	$—	$320

The reasons for the differences between the statutory Federal income tax rate and the effective tax rate are summarized as follows (dollars in thousands):

Year Ended December 31,	
2014	**2013**
Amount	**Amount**

		% of Pretax Earnings		% of Pretax Loss
Income taxes (benefit) at statutory rate	$546	34.0 %	$(2,297)	(34.0)%
Increase (decrease) resulting from:				
State taxes, net of Federal tax benefit	75	3.8 %	(243)	(3.6)%
Change in valuation allowance	(621)	(37.8)%	2,540	37.6 %
Uncertain tax position	—	—	320	4.7 %
	$—	— %	$320	4.7 %

(continued)

69

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(10) Income Taxes, Continued

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands).

	Year Ended December 31, 2014	2013
Deferred tax assets:		
Allowance for loan losses	$—	$67
Net operating loss carryforwards	3,917	3,923
Premises and equipment	66	100
Impaired securities	29	216
Foreclosed property expenses	764	907
Nonaccrual loan interest	345	406
Other	79	75
Gross deferred tax assets	5,200	5,694
Less: Valuation allowance	5,061	5,682
Net deferred tax assets	139	12
Deferred tax liabilities:		
Allowance for loan losses	(114)	—
Unrealized gain on available for sale securities	(50)	—
Loan costs	(25)	(12)
Net deferred tax liability	$(50)	$—

During the years ended December 31, 2014 and 2013, the Company assessed its earnings history and trend over the past year and its estimate of future earnings, and determined that it was more likely than not that the deferred tax assets would not be realized in the near term. Accordingly, a valuation allowance was recorded and maintained against the net deferred tax asset for the amount not expected to be realized in the future

At December 31, 2014, the Company had net operating loss carryforwards of approximately $10.4 million for Federal tax purposes and $10.3 million for Florida tax purposes available to offset future taxable income. These carryforwards will begin to expire in 2029. A portion of the Federal and Florida net operating losses are subject to Internal Revenue

Code (“IRC”) Section 382 limitations.

(continued)

70

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(10) Income Taxes, Continued

The Company files U.S. and Florida income tax returns. With few exceptions, the Company is no longer subject to U.S. Federal or state income tax examinations by taxing authorities for years before 2007. The Company's 2010 and 2009 Federal income tax returns are currently under examination by the Internal Revenue Service ("IRS"). No other income tax filings are under examination by any other taxing authority. The IRS examination disallowed certain deductions and identified additional elements of taxable income that would result in additional income tax liability of approximately $869,000. The Company has appealed the IRS examination results and has accrued $320,000 in other liabilities in the accompanying consolidated balance sheets as of December 31, 2014. This amount represents management's estimate of ultimate settlement. However, there can be no assurances that the ultimate settlement may be in excess of this amount.

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits. The Company makes adjustments to its unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management's judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority at a differing amount; and/or (iii) the statute of limitations expires regarding a tax position..

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,	
	2014	**2013**
Balance, beginning of year	$320	$—
Additions for tax positions related to current year	—	—
Additions for tax positions of prior years	—	320
Balance, end of year	$320	$320

(11) Related Party Transactions

The Company has entered into transactions with its executive officers, directors and their affiliates in the ordinary course of business. There were loans to related parties at December 31, 2014 and 2013 of approximately $240,000 and $546,000, respectively. At December 31, 2014 and 2013, related parties had approximately $7,528,000 and $2,677,000, respectively, on deposit with the Company.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(12) Stock-Based Compensation

On December 27, 2011, the Company's stockholders approved the 2011 Equity Incentive Plan ("2011 Plan"). A total of 306,539 (adjusted for one-for-four reverse common stock split) shares of common stock are available to be issued under the 2011 Plan. Options, restricted stock, performance share awards and bonus share awards in lieu of obligations may be issued under the 2011 Plan. Both incentive stock options and nonqualified stock options can be granted under the 2011 Plan. The exercise price of the stock options cannot be less than the fair market value of the common stock on the date of grant. Options must be exercised within ten years of the date of grant. The Company's prior plan was terminated on February 27, 2011. As of December 31, 2014, 243,461 (adjusted for one-for-four reverse common stock split) shares of common stock have been granted under the 2011 Plan as compensation to directors for services rendered. Fair value of the shares of common stock as of the dates of the grants totaled approximately $239,000 and $47,000 during the years ended December 31, 2014 and 2013, respectfully. Such amounts have been reflected as expense in the accompanying consolidated statements of operations.

A summary of stock option activity is as follows (dollars in thousands, except share amounts):

	Number of Options	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2012	6,839	$ 145.08		
Forfeited	(3,799)	159.60		
December 31, 2013	3,040	126.96		
Terminated	(1,596)	(110.53)		
Outstanding and exercisable at December 31, 2014	1,444	145.12	1.0 years	$ —

(13) Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the regulatory banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company and Bank's financial statements. 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. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(13) Regulatory Matters, Continued

As of December 31, 2014, the Bank is subject to a Consent Order issued by the Federal Deposit Insurance Corporation and the State of Florida Office of Financial Regulation ("OFR"), and accordingly is deemed to be "adequately capitalized" even if its capital ratios were to exceed those generally required to be a "well capitalized" bank, however, at December 31, 2014, the Bank is adequately capitalized. An institution must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following tables. The Bank's actual capital amounts and percentages are also presented in the table (dollars in thousands):

	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

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

The Written Agreement contains the following principal requirements:

- The Board of the Company must take appropriate steps to fully utilize the Company's financial and managerial resources to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Florida Office of Financial Regulation ("OFR") and the FDIC and any other supervisory action taken by the Bank's state or federal regulator.
- The Company may not declare or pay any dividends without prior Reserve Bank and Federal Reserve approval.
- The Company may not, directly or indirectly, take dividends or any other form of payment representing a reduction in capital from the Bank without prior Reserve Bank approval.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(13) Regulatory Matters, Continued

- The Company and its nonconsolidated subsidiary, OptimumBank Holdings Capital Trust I, may not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Federal Reserve.
- The Company and its nonconsolidated subsidiary, OptimumBank Holdings Capital Trust I, may not, directly or indirectly, incur, increase, or guarantee any debt or purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.
- The Company must obtain prior written consent from the Reserve Bank before appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, and must comply with the regulations applicable to indemnification and severance payments.
- The Company must provide quarterly progress reports to the Reserve Bank, along with parent company only financial statements.

Regulatory Matters - Bank. Effective April 16, 2010, the Bank consented to the issuance of a Consent Order by the FDIC and the OFR, also effective as of April 16, 2010. Effective February 28, 2014, the Consent Order was amended.

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

The Consent Order as amended contains the following principal requirements:

- The Board of the Bank is required to increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size.
- The Bank is required to have and retain qualified and appropriately experienced senior management, including a chief executive officer, a chief lending officer and a chief operating officer, who are given the authority to implement the provisions of the Consent Order.
- Any proposed changes in the Bank's Board of Directors or senior executive officers are subject to the prior consent of the FDIC and the OFR.

• The Bank is required to maintain both a fully funded allowance for loan and lease losses satisfactory to the FDIC and the OFR and a minimum Tier 1 leverage capital ratio of 8% and a total risk-based capital ratio of 12% for as long as the Consent Order remains in effect.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(13) Regulatory Matters, Continued

- The Bank shall develop, adopt and implement a written plan to ensure that the Bank is in compliance with the provisions of Section 658.33(2), Florida Statutes. Such plan must address how the Bank will ensure that at least three-fifths of the members of the Bank's Board are current residents of the State of Florida and were residents of the State of Florida for one year preceding their election to the Board, and that at least three-fifths of the members of the Bank's Board maintain their residence in the State of Florida for so long as they continue as members of the Board.
- The Bank shall develop, adopt, and implement a written policy satisfactory to the Supervisory Authorities which shall govern the relationship between the Bank and its holding company and affiliates.
- The Bank shall retain a bank consultant who will develop a written analysis and assessment of the Bank's Board and management needs for the purpose of providing qualified management for the Bank.
- The Bank shall submit a written plan to the Supervisory Authorities to reduce the remaining assets classified "Doubtful" and "Substandard" in the 2013 Report or any future regulatory examination report.
- The Bank shall perform a risk segmentation analysis and shall develop and submit for review a revised written plan for systematically reducing and monitoring the Bank's Commercial Real Estate Loans concentration of credit.
- The Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged-off or classified, in whole or in part, "Loss" or "Doubtful" and is uncollected.
- The Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Substandard."
- The Bank shall revise its internal loan review and grading system.
- The Board shall review, revise, and implement its written lending and collection policy to provide effective guidance and control over the Bank's lending and credit administration functions.
- The Bank shall prepare and submit to the Supervisory Authorities an acceptable written business/strategic plan covering the overall operation of the Bank.
- The Bank shall implement a written plan to improve liquidity, contingency funding, interest rate risk and asset liability management.
- The Bank shall revise and implement a written policy for managing interest rate risk in a manner that is appropriate to the size of the Bank and the complexity of its assets.
- The Bank shall not accept, renew, or rollover any brokered deposit.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(13) Regulatory Matters, Continued

- The Bank shall not declare or pay dividends, pay bonuses, or make any other form of payment outside the ordinary course of business resulting in a reduction of capital, without the prior written approval of the Supervisory Authorities.
- The Bank shall notify the Supervisory Authorities at least sixty days prior to undertaking asset growth that exceeds 10% or more per annum or initiating material changes in asset or liability composition.
- The Bank shall furnish written progress reports to the Supervisory Authorities within forty-five days from the end of each quarter, detailing the form and manner of any actions taken to secure compliance with this Consent Order.

The Bank is in process of implementing 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. However, at December 31, 2014, the Bank was not in compliance with the minimum Tier 1 leverage capital ratio of 8% and a total risk-based capital ratio of 12%.

(14) Dividends

The Company is limited in the amount of cash dividends that may be paid. Banking regulations place certain restrictions on dividends and loans or advances made by the Bank to the Holding Company. The amount of cash dividends that may be paid by the Bank to the Holding 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. In addition, bank regulators have the authority to prohibit banks from paying dividends if they deem such payment to be an unsafe or unsound practice. At December 31, 2014, the Bank and Holding Company could not pay cash dividends (See Note 13).

(15) Contingencies

Various claims also arise from time to time in the normal course of business. In the opinion of management, none have occurred that will have a material effect on the Company’s consolidated financial statements.

(16) Retirement Plans

Effective January 1, 2012, the Company established a 401(k) Profit Sharing plan covering all eligible employees who are over the age of twenty one and have completed one year of service. The Company may make a matching contribution each year. The Company did not make any matching contributions in connection with this plan during the year ended December 31, 2014 or 2013.

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(17) Fair Value Measurement

Impaired collateral-dependent loans are carried at fair value when the current collateral value is lower than the carrying value of the loan. Those impaired collateral-dependent loans which are measured at fair value or a nonrecurring basis are as follows (in thousands):

	At December 31, 2014					Losses Recorded in Operations For the Year Ended December 31, 2014
	Fair Value	Level 1	Level 2	Level 3	Total Losses	
Residential real estate	$1,387	$ —	$ —	$1,387	$507	$ —
Commercial real estate	3,029	—	—	3,029	3,269	—
Commercial	1,151	—	—	1,151	242	—
	$5,567	$ —	$ —	$5,567	$4,018	$ —

	At December 31, 2013					Losses Recorded in Operations For the Year Ended December 31, 2013
	Fair Value	Level 1	Level 2	Level 3	Total Losses	
Residential real estate	$1,523	$ —	$ —	$1,523	$507	$ 77
Commercial real estate	3,386	—	—	3,386	3,850	2,405
Commercial	1,216	—	—	1,216	242	—
	$6,125	$ —	$ —	$6,125	$4,599	$ 2,482

Foreclosed real estate is recorded at fair value less estimated costs to sell. Foreclosed real estate which is measured at fair value on a nonrecurring basis is as follows (in thousands):

	At Year End					Losses Recorded During the Year
	Fair Value	Level 1	Level 2	Level 3	Total Losses	
At December 31, 2014	$4,880	$ —	$ —	$4,880	$1,143	$ —
At December 31, 2013	$7,553	$ —	$ —	$7,553	$1,696	$ 859

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(18) Holding Company Financial Information

The Holding Company's unconsolidated financial information as of December 31, 2014 and 2013 and for the years then ended follows (in thousands):

Condensed Balance Sheets

	At December 31, 2014	2013
Assets		
Cash	$71	$36
Investment in subsidiary	8,683	5,387
Other assets	180	180
Total assets	$8,934	$5,603
Liabilities and Stockholders' Equity (Deficit)		
Other liabilities	$800	$664
Junior subordinated debenture	5,155	5,155
Stockholders' equity (deficit)	2,979	(216)
Total liabilities and stockholders' equity (deficit)	$8,934	$5,603

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(18) Holding Company Financial Information, Continued

Condensed Statements of Operations

	Year Ended December 31, 2014	2013
Earnings (loss) of subsidiary	$2,229	$(6,699)
Interest expense	(155)	(153)
Other expense	(469)	(223)
Net earnings (loss)	$1,605	$(7,075)

Condensed Statements of Cash Flows

	Year Ended December 31, 2014	2013
Cash flows from operating activities:		
Net earnings (loss)	$1,605	$(7,075)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Stock compensation	239	—
Equity in undistributed earnings (loss) of subsidiary	(2,229)	6,699
Decrease in other assets	—	—
Increase in other liabilities	136	179
Net cash used in operating activities	(249)	(197)
Cash flow from investing activity-		
Investment in subsidiary	(988)	—
Cash flow from investing activity-		

Proceeds from sale of common stock, net	1,272	124
Net increase (decrease) increase in cash	35	(73)
Cash at beginning of the year	36	109
Cash at end of year	$71	$36
Noncash transaction- Change in accumulated other comprehensive earnings (loss) of subsidiary, net change in unrealized loss on securities available for sale	$79	$(222)

79

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintain controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon management's evaluation of those controls and procedures performed within the 90 days preceding the filing of this Report, its Principal Executive Officer and Chief Financial Officer concluded that, subject to the limitations noted below, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms.

(b) Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Such internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, the Company used the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based upon its evaluation under the framework in Internal Control-Integrated Framework, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2014.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(c) Changes in Internal Controls

The Company has made no significant changes in its internal controls over financial reporting during the quarter ended December 31, 2014 that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.

(d) Limitations on the Effectiveness of Controls

The Company's management, including its Principal Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The Company has a Code of Ethics that applies to its chief executive officer, chief operating officer, chief financial officer (who is also its chief accounting officer) and controller. This Code of Ethics is also posted on its website at www.optimumbank.com/corpgovernance.html.

A list of the Company's executive officers and biographical information about them and its directors will be included in the definitive Proxy Statement for its 2015 Annual Meeting of Stockholders to be held on April 28, 2015, which will be filed within 120 days of the end of its fiscal year ended December 31, 2014 (the "2015 Proxy Statement") and is incorporated herein by reference. Information about its Audit Committee may be found in the Proxy Statement. That information is incorporated herein by reference.

Item 11. Executive Compensation

Information relating to the Company's executive officer and director compensation and the compensation committee of its board of directors will be included in the 2015 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information relating to security ownership of certain beneficial owners of its common stock and information relating to the security ownership of its management will be included in the 2015 Proxy Statement and is incorporated herein by reference.

The Bank had one compensation plan under which shares of its common stock were issuable at December 31, 2014. This plan is the 2012 Equity Compensation Plan, previously approved by its stockholders. The following table sets forth information as of December 31, 2014 with respect to the number of shares of the Company's common stock issuable pursuant to this plan.

Equity Compensation Plan Information

The following table provides information generally as of December 31, 2014, regarding securities to be issued on exercise of stock options, and securities remaining available for issuance under the Company's equity compensation plans that were in effect during fiscal 2014.

Plan Category	**Number of securities to be issued upon exercise of outstanding options**	**Weighted average exercise price of outstanding options**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by stockholders	1,444	$ 145.12	306,539
Equity compensation plans not approved by stockholders	—	—	—
Total	1,444	$ 145.12	306,539

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions and director independence will be included in the 2015 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding principal accountant fees and services will be included in the 2015 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

3.1	Articles of Incorporation (incorporated by reference from Current Report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on May 11, 2004)
3.2	Articles of Amendment to the Articles of Incorporation, effective as of January 7, 2009 (incorporated by reference to Exhibit 3.2 to Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 31, 2009)
3.3	Articles of Amendment to the Articles of Incorporation, effective as of November 5, 2010 (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K, filed with the SEC on November 5, 2010)
3.4	Articles of Amendment to the Articles of Incorporation, effective as of September 29, 2011 (incorporated by reference from Current Report on Form 8-K, filed with the SEC on October 4, 2011)
4.3	Bylaws (incorporated by reference from Current Report on Form 8-K filed with the SEC on May 11, 2004)
4.1	Form of stock certificate (incorporated by reference from Quarterly Report on Form 10-QSB filed with the SEC on August 12, 2004)
10.1	Amended and Restated Stock Option Plan (incorporated by reference from Annual Report on Form 10-KSB filed with the SEC on March 31, 2006)
10.2	OptimumBank Holdings, Inc. 2011 Equity Incentive Plan (incorporated by reference from Current Report on Form 8-K filed with the SEC on January 3, 2012)
10.3	OptimumBank Holdings, Inc. Director Compensation Plan (incorporated by reference from Current Report on Form 10-K filed with the SEC on March 30, 2012)
10.4	Consent Order between OptimumBank, Federal Deposit Insurance Corporation and State of Florida Office of Financial Regulation dated April 16, 2010 (incorporated by reference from current report on Form 8-K filed with the SEC on April 26, 2010)

10.5	Amended Consent Order between OptimumBank, Federal Deposit Insurance Corporation and State of Florida Office of Financial Regulation dated February 28, 2014
10.6	Written Agreement by and between OptimumBank Holdings, Inc. and Federal Reserve Bank of Atlanta dated June 22, 2010 (incorporated by reference from Quarterly Report on Form 10-Q filed with the SEC on November 15, 2010)
10.7	Amended and Restated Stock Purchase Agreement, dated as of December 5, 2011, between OptimumBank Holdings, Inc. and Moishe Gubin (incorporated by reference from Current Report on Form 8-K filed with the SEC on December 9, 2011)
10.8	Amended and Restated Stock Purchase Agreement, dated as of March 22, 2013, between OptimumBank Holdings, Inc. and Moishe Gubin (incorporated by reference from Current Report on Form 8-K filed with the SEC on March 28, 2013)
10.9	Form of Registration Rights Agreement between OptimumBank Holdings, Inc. and Moishe Gubin (incorporated by reference from Current Report on Form 8-K filed with the SEC on October 31, 2011)
10.10	Form of Registration Rights Agreement between OptimumBank Holdings, Inc. and Investors (incorporated by reference from Current Report on Form 8-K filed with the SEC on October 31, 2011)
14.1	Code of Ethics for Chief Executive Officer and Senior Financial Officers (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 31, 2010)

31.1	Certification of Principal Executive and Principal Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Principal Executive and Principal Financial Officer under 18 U.S.C. Section 1350

EXHIBIT INDEX

31.1	Certification of Principal Executive and Principal Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Principal Executive and Principal Financial Officer under 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this 10-K report to be duly signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Lauderdale, State of Florida, on the 31st day of March, 2015.

OPTIMUMBANK HOLDINGS, INC.

/s/ Thomas Procelli
Thomas Procelli, Principal Executive Officer,
Principal Financial Officer and Principal Accounting Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 31, 2015.

Signature	**Title**
/s/ Moishe Gubin Moishe Gubin	Director and Acting Chairman of the Board
/s/ Joel Klein Joel Klein	Director

83