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

FORM 10-K
ANNUAL REPORT

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

For the fiscal year ended December 31, 2019

Commission File Number: 000-50755

OPTIMUMBANK HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Florida	**55-0865043**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2929 East Commercial Blvd. Suite 303, Fort Lauderdale, FL 33308
(Address of principal executive offices)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	OPHC	NASDAQ Capital Market
Preferred Stock, no par value		None

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes [ ] No [X]

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [X]	Smaller reporting company [X]
	Emerging Growth Company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant (1,615,862 shares) on June 28, 2019, was approximately $5,655,517, computed by reference to the closing market price at $3.50 per share as of June 30, 2019. For purposes of this information, the outstanding shares of common stock beneficially owned by directors and executive officers of the registrant were deemed to be shares of common stock held by affiliates.

The number of shares of common stock, par value $0.01 per share, of the registrant outstanding as of March 25, 2020 was 2,860,444 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2020 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the issuer's fiscal year end are incorporated by reference into Part III, Items 10 through 14, of this Annual Report on Form 10-K.

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PART I

Item 1. Business

Forward-Looking Statements

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

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

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

General

OptimumBank Holdings, Inc. is a Florida corporation (the “Company”) formed in 2004 as a bank holding company for OptimumBank (the “Bank”). The Company’s only business is the ownership and operation of the Bank”). The Bank is a Florida state chartered bank established in 2000, with deposits insured by the Federal Deposit Insurance Corporation (“FDIC”). The Bank offers a variety of community banking services to individual and corporate customers through its three banking offices located in Broward County, Florida.

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

At December 31, 2019, the Company had total assets of $126.7 million, net loans of $102.2 million, total deposits of $101.4 million and stockholders’ equity of $7.2 million. During 2019, the Company had a net loss of $1.1 million.

Junior Subordinated Debenture

In 2004, the Company formed OptimumBank Capital Trust I (the "Trust") for the purposes of raising capital for the Bank through the sale of trust preferred securities. At that time, the Trust raised $5,155,000 through the sale of 5,000 trust preferred securities (the "Trust Preferred Securities") to a third party investor and the issuance of 155 common trust securities to the Company.

The Trust utilized the proceeds of $5,155,000 to purchase a junior subordinated debenture from the Company (the "Junior Subordinated Debenture"). Under the Junior Subordinated Debenture, the Company is required to make interest payments on a periodic basis and to pay the outstanding principal amount plus accrued interest on October 7, 2034. The Company has been in default under the Junior Subordinated Debenture since 2015 due to its failure to make required interest payments. To date, neither the trustee nor the holders of the Trust Preferred Securities have accelerated the outstanding balance of the Junior Subordinated Debenture.

In May 2018, Preferred Shares, LLC (the "Purchaser") acquired all 5,000 of the Trust Preferred Securities from a third party. The Purchaser is an affiliate of a director of the Company. The Purchaser has subsequently sold or transferred 2,575 of the Trust Preferred Securities to third parties.

During the third quarter of 2018, the holders of 694 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 301,778 shares of the Company's common stock. These shares were issued at a value of $3.00. In December 2019, the holders of an additional 1,881 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 924,395 shares of the Company's common stock pursuant to a tender offer made by the Company. These shares were issued at a value of $2.86.

For accounting purposes, the Trust Preferred Securities acquired by the Company have been cancelled. As a result, in 2018, the Company cancelled $694,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $211,000, and increased its stockholders' equity by the same amount. In 2019, the Company cancelled $1,881,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $763,000, and increased stockholders' equity by the same amount.

The Company's total acquisition of 2,575 Trust Preferred Securities in 2018 and 2019 was recorded as a principal and accrued interest reduction associated with the Junior Subordinated Debenture. The remaining principal owed by the Company in connection with the Junior Subordinated Debenture is $2,580,000 and $4,461,000 at December 31, 2019 and 2018, respectively. The remaining accrued interest owed by the Company associated with the Junior Subordinated Debenture is $995,000 and $1,475,000 at December 31, 2019 and 2018, respectively, is presented on the accompanying consolidated balance sheet under the caption "other liabilities".

The outstanding 2,425 Trust Preferred Securities continue to be in default. However, the Purchaser, as the owner of all of the outstanding Trust Preferred Securities, has provided the Company with written representation not to accelerate the principal and accrued interest amounts due under the Junior Subordinated Debenture within the next twelve months from the date this Annual Report, Form 10-K as of and for the year ended December 31, 2019, is filed with the Securities and Exchange Commission.

The Company is planning to acquire additional Trust Preferred Securities in 2020 in exchange for shares of its common stock, although it has not yet entered into any agreement or commitment with respect to such an exchange.

Branch Relocation

During 2019, the Bank relocated its branch located on Commercial Boulevard in Broward Country, Florida. In connection with the relocation, the Bank sold the existing branch facility for $1,400,000, with the Bank agreeing to finance $1,050,000 of the purchase price in the form of a note from the purchaser. In connection with the sale, the Company recorded a loss of $215,000.

The Bank leased the new location under a ten year operating lease. The new location is also located on Commercial Boulevard in Broward Country, FL. It has a branch which occupies 500 square feet of space and an operations center with 4,800 square feet of space.

Banking Products

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

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

The Bank provides a range of consumer and commercial banking services to individuals and businesses. The basic services offered include: demand interest-bearing and noninterest-bearing accounts, money market deposit accounts, NOW accounts, time deposits, Visa debit and ATM cards, cash management, direct deposits, notary services, money orders, night depository, cashier's checks, domestic collections, and banking by mail. The Bank makes commercial real estate loans and consumer loans. The Bank offers business lending lines for working capital needs. Growing businesses can use the loans to expand inventory, take discounts, offset receivables, or establish new structured financing and repayment plans that are consistent with the cash flow of the business. The Bank provides ATM cards and Visa debit cards, as a part of the Star, Presto and Cirrus networks, thereby permitting customers to utilize the convenience of ATMs worldwide.

The Bank does not have trust powers and provides no trust services.

Strategy

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

The key elements of the Bank’s operating and business strategies are as follows:

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

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

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

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

- **Personalizing products and service by providing innovative financial products and high service levels in order to maintain strong customer relationships. The Bank seeks customers who prefer to conduct business with a locally managed institution.**

The Bank and its management team are focusing on achieving the following key business objectives:

- **<u>Increasing and Diversifying Loan Originations</u>. Management is seeking to increase the Bank's loan production to add more interest bearing assets to its asset base. In addition, management is endeavoring to diversify loan originations and the loan portfolio to include more commercial and consumer loans in order to supplement the Bank's existing portfolio of residential and commercial real estate loans.**

- **<u>Lowering the Cost of Deposits</u>. Management is seeking to change the Bank's deposit mix by replacing higher cost interest bearing time deposits with non-interest bearing demand deposits, which is occurring.**

- **<u>Increasing Capital Ratios</u>. Management is seeking to obtain additional capital to increase the Bank's capital ratios in order to allow the Bank to grow, implement its business plan and improve profitability.**

Lending Activities

The Bank offers real estate, commercial and consumer loans, to individuals and small businesses and other organizations that are located in or conduct a substantial portion of their business in its market area. The Bank's market area consists of the tri-county area of Broward, Miami-Dade and Palm Beach counties. The Bank's net loans at December 31, 2019 were $102.2 million, or 80.7% of total assets. The interest rates charged on loans varied with the degree of risk, maturity, and amount of the loan, and are further subject to competitive pressures, money market rates, availability of funds, and government regulations. The Bank has no foreign loans.

The Bank's loan portfolio is concentrated in two major areas: residential and commercial real estate loans. As of December 31, 2019, 91.0% of the loan portfolio consisted of loans secured by mortgages on real estate, of which approximately 27.1% of the total loan portfolio was secured by one-to-four family residential properties. The real estate loans are located primarily in the tri-county market area.

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

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

Deposit Activities

Deposits are the major source of the Bank's funds for lending and other investment activities. The Bank considers the majority of its regular savings, demand, NOW, money market deposit accounts and CD's under $250,000 to be core deposits. These accounts comprised approximately 95.2% of the Bank's total deposits at December 31, 2019. Approximately 34.9% of the deposits at December 31, 2019 were certificates of deposit. Generally, the Bank attempts to maintain the rates paid on its deposits at a competitive level. Time deposits of $250,000 and over made up approximately 4.8% of the Bank's total deposits at December 31, 2019. Although these large deposits are not traditionally considered core deposits, the majority of these deposits have served as a stable source of funds for the Bank.

Investments

The Bank's investment securities portfolio was approximately $11.2 and $9.5 million at December 31, 2019 and 2018, respectively, representing 8.8% and 9.5% of its total assets. At December 31, 2019, 87% of this portfolio was invested in asset-backed securities. Mortgage backed securities generally have a shorter life than the stated maturity. The Bank's investments are managed in relation to loan demand and deposit growth, and are generally used to provide for the investment of excess funds at minimal risk levels while providing liquidity to fund increases in loan demand or to offset fluctuations in deposits.

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

Correspondent Banking

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

The Bank has established a correspondent relationship with the Federal Reserve Bank. The Bank pays for such services in cash as opposed to keeping compensating balances. The Bank also sells loan participations to other banks with respect to loans which exceed its lending limit. The Bank may purchase loan participations to supplement loan demand.

Data Processing

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

Internet Banking

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

Competition

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

The Bank focuses its efforts on smaller loans, which are generally neglected by its competitors. To compete, the Bank relies upon specialized services, responsive handling of customer needs, and personal contacts by its officers, directors and staff. Large multi-branch banking competitors tend to compete primarily by rate and the number and location of branches while smaller, independent financial institutions tend to compete primarily by rate and personal service.

Employees

As of December 31, 2019, the Bank had 19 full-time employees, including executive officers. These employees are not represented by a collective bargaining unit. The Bank considers its relations with its employees good.

Supervision and Regulation

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

Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the bank regulatory 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 the 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.

The Bank is subject to the Basel III capital level threshold requirements under the Prompt Corrective Action regulations with full compliance phased in over a multi-year schedule. These new regulations were designed to ensure that banks maintain strong capital positions even in the event of severe economic downturns or unforeseen losses.

The Bank is subject to the capital conservation buffer rules which place limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers. In order to avoid these limitations, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements. As of December 31, 2019, the Bank's capital conservation buffer exceeds the minimum requirements of 2.50%.

Company Written Agreement with Federal Reserve Bank of Atlanta ("FRB"). In June 2010, the Company and the FRB entered into a Written Agreement with respect to certain aspects of the operation and management of the Company. On September 11, 2019, the Written Agreement was terminated by the FRB due to the progress made by the Company in addressing the requirements of the Written Agreement.

Memorandum of Understanding between the Bank, the FDIC and Florida Office of Financial Regulation. In August 2018, the Bank agreed to the issuance of a Memorandum of Understanding (the "MOU"), with the FDIC and Florida Office of Financial Regulation. The MOU required the Bank to take certain measures to improve its safety and soundness. By agreeing to the MOU, the Bank was released from an earlier Consent Order that had become effective in 2016. In June 2019, the MOU was terminated by FDIC and Florida Office of Financial Regulation due to the progress made by the Bank in addressing the requirements of the MOU.

The following table shows the Bank's capital amounts and ratios and regulatory thresholds at December 31, 2019 and 2018 (dollars in thousands):

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
As of December 31, 2019:						
Total Capital to Risk-Weighted Assets	$ 12,212	12.03%	$ 8,124	8.00%	$ 10,154	10.00%
Tier I Capital to Risk-Weighted Assets	10,934	10.77	$ 6,093	6.00	$ 8,124	8.00
Common Equity Tier I Capital to Risk-Weighted Assets	10,934	10.77	$ 4,569	4.50	$ 6,600	6.50
Tier 1 Capital to Total Assets	10,934	8.73	$ 5,010	4.00	$ 6,263	5.00
As of December 31, 2018:						
Total Capital to Risk-Weighted Assets	$ 12,155	15.86%	$ 6,132	8.00%	$ 7,665	10.00%
Tier I Capital to Risk-Weighted Assets	11,181	14.59	$ 4,599	6.00	$ 6,132	8.00
Common Equity Tier I Capital to Risk-Weighted Assets	11,181	14.59	$ 3,449	4.50	$ 4,983	6.50
Tier 1 Capital to Total Assets	11,181	11.68	$ 3,828	4.00	$ 4,785	5.00

Dodd-Frank Act

The Company and the Bank are subject to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, into law. The Dodd-Frank Act has had a broad impact on the financial services industry, including significant regulatory and compliance changes including, among other things, (1) enhanced resolution authority of troubled and failing banks and their holding companies; (2) changes to capital and liquidity requirements; (3) changes to regulatory examination fees; (4) changes to assessments to be paid to the FDIC for federal deposit insurance; and (5) numerous other provisions designed to improve supervision and oversight of, and strengthening safety and soundness for, the financial services sector.

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

Increased Capital Standards and Enhanced Supervision. Effective January 1, 2015, revised capital rules became effective for community banks with assets less than $10 billion and their holding companies pursuant to the requirements of the Dodd-Frank Act and standards adopted by the Basel Committee on Banking Supervision (referred to as "Basel III"). The Dodd-Frank Act also increased regulatory oversight, supervision and examination of banks, bank holding companies and their respective subsidiaries by the appropriate regulatory agency. Compliance with new regulatory requirements and expanded examination processes could increase the Company's cost of operations.

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

Deposit Insurance. The Dodd-Frank Act made permanent the $250,000 deposit insurance limit for insured deposits. Amendments to the Federal Deposit Insurance Act also revised the assessment base against which an insured depository institution's deposit insurance premiums paid to the FDIC's Deposit Insurance Fund (the "DIF") is calculated. Under the amendments, the assessment base will be its average consolidated total assets less its average tangible equity. Additionally, the Dodd-Frank Act made changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15 percent to 1.35 percent of the estimated amount of total insured deposits, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The Dodd-Frank Act also provides that depository institutions may pay interest on demand deposits, which assists the Bank in obtaining more deposits.

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

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

Enhanced Lending Limits. The Dodd-Frank Act strengthens the existing limits on a depository institution's credit exposure to one borrower. The Dodd-Frank Act expands the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions.

Company Regulation

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

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

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

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

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

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

Securities Regulation and Corporate Governance. The Company's common stock is registered with the Securities and Exchange Commission (the "SEC") under Section 12(g) of the Securities Exchange Act of 1934, and we are subject to restrictions, reporting requirements and review procedures under federal securities laws and regulations. The Company is also subject to the rules and reporting requirements of the NASDAQ Capital Market, on which its common stock is traded. Like other issuers of publicly traded securities, the Company must also comply with the corporate governance reforms enacted under the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules of the SEC and NASDAQ Stock Market adopted pursuant to the Sarbanes-Oxley Act. Among other things, these reforms, effective as of various dates, require certification of consolidated financial statements by the chief executive officer and chief financial officer, prohibit the provision of specified services by independent auditors, require pre-approval of independent auditor services, define director independence and require certain committees, and a majority of a subject company's board of directors, to consist of independent directors, establish additional disclosure requirements in reports filed with the SEC, require expedited filing of reports, require management evaluation and auditor attestation of internal controls, prohibit loans by the issuer (but not by certain depository institutions) to directors and officers, set record-keeping requirements, mandate complaint procedures for the reporting of accounting and audit concerns by employees, and establish penalties for non-compliance.

Bank Regulation

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

Capital Adequacy Requirements. Banks are required to maintain capital at adequate levels based on a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging from 0% to 100%. Under the risk-based standard, capital is classified into two tiers. Tier 1 capital consists of common shareholders' equity (excluding the unrealized gain on available-for-sale securities), trust preferred securities subject to certain limitations, and minus certain intangible assets. Tier 2 capital consists of the general allowance for credit losses except for certain limitations. An institution's qualifying capital base for purposes of its risk-based capital ratio consists of the sum of its Tier 1 and Tier 2 capital. The regulatory minimum requirements are 4% for Tier 1 and 8% for total risk-based capital. At December 31, 2019, the Bank's Tier 1 and total risk-based capital ratios were 10.77% and 12.03%, respectively.

Banks are also required to maintain capital at a minimum level based on total assets, which is known as the leverage ratio. The minimum requirement for the leverage ratio is 4%, but all but the highest rated institutions are required to maintain ratios 100 to 200 basis points above the minimum. At December 31, 2019, the Bank's leverage ratio was 8.73%.

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

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

	Threshold Ratios			
PCA Capital Category	**Total Risk-Based Capital Ratio**	**Tier 1 Risk-Based Capital Ratio**	**CET1 Risk-Based Capital Ratio**	**Tier 1 Leverage Capital Ratio**
Well capitalized	10%	8%	6.5%	5%
Adequately Capitalized	8%	6%	4.5%	4%
Undercapitalized	< 8%	< 6%	< 4.5%	< 4%
Significantly Undercapitalized	< 6%	< 4%	< 3%	< 3%
Critically Undercapitalized	Tangible Equity/Total Assets ≤ 2%			

Community banks are also subject to the following minimum capital requirements:

Minimum CET1 ratio	4.5%
Capital conversion buffer	2.50%
Phase-in of deductions from CET1*	100.0%
Minimum tier 1 capital	6.0%
Minimum total capital	8.0%

*Including certain threshold deduction items that are over the limits.

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

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

- 5% of the institution's total assets at the time the institution becomes "undercapitalized"; or

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

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

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

- entering into any material transaction other than in the usual course of business;
- engaging in any covered transaction with affiliates (as defined in Section 23A(b) of the Federal Reserve Act);
- paying excessive compensation or bonuses; and
- paying interest on new or renewed liabilities at a rate that would increase the institution's weighted average costs of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the institution's normal market areas.

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

Additionally, FDICIA requires, among other things, that:

- only a "well capitalized" depository institution may accept brokered deposits without prior regulatory approval, and
- the appropriate federal banking agency annually examines all insured depository institutions, with some exceptions for small, "well capitalized" institutions and state-chartered institutions examined by state regulators.

As of December 31, 2019, the Bank met the FDIC definition of a "well-capitalized" institution.

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

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

Loans to One Borrower. Florida law generally allows a state bank such as the Bank to extend credit to any one borrower (and certain related entities of such borrower) in an amount up to 25% of its capital accounts, provided that the unsecured portion may not exceed 15% of the capital accounts of the bank. Based upon the Bank's capital, the maximum loan the Bank is currently permitted to make to any one borrower (and certain related entities of such borrower) is approximately $2.7 million, provided the unsecured portion does not exceed approximately $1.6 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank’s deposit and loan operations are also subject to the:

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

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

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

Other Regulation

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

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

Effect of Governmental Monetary Policies

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

Statistical Profile and Other Financial Data

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

Item 2. Properties

The Bank operates a main office and two branch offices in Broward County, Florida. The following table sets forth information with respect to the Bank's main office and branch offices as of December 31, 2019.

Location	Year Facility Opened	Facility Status
Executive Office and Ft. Lauderdale Branch: 2929 East Commercial Boulevard Suite 101 and 303 Fort Lauderdale, Florida 33308	2019	Leased
Plantation Branch Office: 10197 Cleary Boulevard Plantation, Florida 33324	2000	Owned
Deerfield Beach Branch Office: 2215 West Hillsboro Boulevard Deerfield Beach, Florida 33442	2004	Leased

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company’s common stock currently trades on the NASDAQ Capital Market under the symbol “OPHC.”

The Company had approximately 762 record holders of its common stock as of December 31, 2019.

During the second quarter of 2019, the Company issued 58,309 shares of common stock to the Company’s directors as compensation services performed. These shares had a value of $201,000 based on the market price at the time of the approval of the issuance of the shares. These shares were issued in reliance upon the exemption from registration under Section 4(a)(2) of the Securities Act for a transaction by an issuer not involving a public offering.

During the second and third quarter of 2019, the Company issued 12,447 shares of common stock to a related party who is a significant stockholder, for an aggregate purchase price of $31,000. The $31,000 was collected in 2018. The Company used the proceeds to pay for operating expenses. These shares were issued in reliance upon the exemption from registration under Section 4(a)(2) of the Securities Act for a transaction by an issuer not involving a public offering.

During the fourth quarter of 2019, the Company agreed to sell 7,273 shares of common stock to an individual investor at an aggregate purchase price of $40,000. The investor delivered the purchase price to the Company but as of December 31, 2019 had not yet completed the sale. The amount delivered by the investor was recorded as a liability as of December 31, 2019. The issuance of the shares in this transaction will be exempt from registration pursuant to section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

In December 2019, the Company issued 924,395 shares of common stock in exchange for 1,881 Trust Preferred Securities. The shares were issued a price of $2.86 (which was the market value at the time of the exchange). See Note 1 of the Company’s financial statements for further details on the matter. These shares were issued in reliance upon the exemption from registration under Section 4(a)(2) of the Securities Act for a transaction by an issuer not involving a public offering.

Prior to the termination of the Company’s Written Agreement with the Federal Reserve in September 2019, the Company could not pay cash dividends and the Company. The Company is currently permitted to pay cash dividends, but does not plan to pay any dividends in the foreseeable future. Instead, the Company intends to retain any income for the purpose of enhancing its financial position and supporting the growth of the Bank.

Prior to the termination of the Bank’s Memorandum of Understanding with the FDIC and the State of Florida in June 2019, the Bank was prohibited from paying cash dividends to the Company. The Bank is currently permitted to pay cash dividends subject to restrictions imposed by the federal banking law and the Florida Financial Institutions Code. In general, the amount of cash dividends that may be paid by the Bank to the Company is based on the Bank’s net earnings of the current year combined with the Bank’s retained earnings of the preceding two years.

Item 6. Selected Financial Data

At December 31, or for the Years Then Ended

(Dollars in thousands, except per share figures)

	2019	2018	2017	2016	2015
At Year End:					
Cash and cash equivalents	$ 8,934	$ 7,983	$ 11,665	$ 17,640	$ 10,365
Securities available for sale	5,409	2,359	11,437	20,222	25,749
Securities held to maturity	5,806	7,139	—	—	—
Loans, net	102,233	77,200	68,220	76,999	82,573
All other assets	4,366	4,770	4,544	4,842	8,791
Total assets	$ 126,748	$ 99,451	$ 95,866	$ 119,703	$ 127,478
Deposit accounts	$ 101,372	62,378	65,251	86,087	97,571
Federal Home Loan Bank advances	13,000	24,600	20,500	23,500	20,000
Junior subordinated debenture	2,580	4,461	5,155	5,155	5,155
All other liabilities	2,589	2,706	2,415	1,880	1,785
Stockholders' equity	7,207	5,306	2,545	3,081	2,967
Total liabilities and stockholders' equity	$ 126,748	$ 99,451	$ 95,866	$ 119,703	$ 127,478

	2019	2018	2017	2016	2015
For the Years:					
Total interest income	$ 5,174	$ 4,292	$ 4,716	$ 4,764	$ 4,534
Total interest expense	2,046	1,246	1,196	1,079	884
Net interest income	3,128	3,046	3,520	3,685	3,650
Credit for loan losses	79	1,754	—	—	—
Net interest income after credit for loan losses	3,207	4,800	3,520	3,685	3,650
Noninterest income (expense)	182	84	52	(144)	412
Noninterest expenses	4,541	4,088	4,161	3,937	4,545
(Loss) earnings before income tax benefit	(1,152)	796	(589)	(396)	(483)
Income tax benefit	(52)	—	—	—	(320)
Net (loss) earnings	$ (1,100)	$ 796	$ (589)	$ (396)	(163)
Net (loss) earnings per share, basic (1)	$ (.58)	$ 0.53	$ (0.53)	$ (0.38)	(0.17)
Net (loss) earnings per share, diluted (1)	$ (.58)	$ 0.53	$ (0.53)	$ (0.38)	(0.17)
Weighted-average number of shares outstanding, basic (1)	1,901,970	1,493,303	1,104,995	1,041,213	953,855
Weighted-average number of shares outstanding, diluted (1)	1,901,970	1,493,303	1,104,995	1,041,213	953,855

Ratios and Other Data:

	2019	2018	2017	2016	2015
Return on average assets	(1.0)%	0.9%	(0.5)%	(0.3)%	(0.1)%
Return on average equity	(21.3)%	19.8%	(21.3)%	(12.5)%	(5.3)%
Average equity to average assets	4.6%	4.4%	2.5%	2.6%	2.5%
Dividend payout ratio	-%	—%	—%	—%	—%
Net interest margin during the year	2.9%	3.4%	3.2%	3.1%	3.4%
Interest-rate spread	2.6%	3.1%	3.0%	3.0%	3.3%
Net yield on average interest-earning assets	4.8%	4.8%	4.3%	4.0%	4.2%
Noninterest expenses to average assets	4.0%	4.4%	3.8%	3.3%	3.6%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.16	1.21	1.13	1.09	1.07
Nonperforming loans and foreclosed assets as a percentage					

of total assets at end of year	0.6%	1.4%	—%	0.3%	7.5%
Allowance for loan losses as a percentage of total loans at end of year	1.9%	2.8%	5.5%	4.9%	2.7%
Total number of banking offices	3	3	3	3	3
Total shares outstanding at end of year (1)	2,853,171	1,858,020	1,120,947	1,103,447	962,886
Book value per share at end of year (1)	$ 2.53	$ 2.86	$ 2.27	$ 2.79	$ 3.08

(1) All share and per share amounts have been adjusted to reflect the 1 for 10 reverse common stock split effective January 11, 2016.

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

General

Critical Accounting Policies

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

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

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

During the years ended December 31, 2019 and 2018, the Company assessed its earnings history and trend over each year and its estimate of future earnings, and determined that it was more likely than not that its 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.

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

Regulation and Legislation

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

Loan Portfolio, Asset Quality and Allowance for Loan Losses

The Bank's primary business is making business loans. This activity may subject the Bank to potential loan losses, the magnitude of which depends on a variety of economic factors affecting borrowers which are beyond its control. The combination of stronger U.S. growth, the consumer boost from sharply lower crude oil prices and the aggressive monetary easing and weaker currencies outside of the United States should support improving conditions. With most of the Bank's loans concentrated in south Florida, the decline in local economic conditions had previously adversely affected the values of the Bank's real estate collateral, but these trends are reversing and are shown in the improvement in the Bank's impaired loans and improved asset quality. As of December 31, 2019, the Bank's impaired loans were approximately $4.0 million, or 3.8% of the gross loan portfolio.

The following table sets forth the composition of the Bank's loan portfolio (in thousands):

	At December 31,					
	2019		2018		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(dollars in thousands)					
Residential real estate	$ 28,266	27.13%	$ 27,204	34.31%	$ 26,054	36.22%
Multi-family real estate	8,396	8.06	8,195	10.34	7,356	10.23
Commercial real estate	55,652	53.41	34,971	44.10	30,520	42.43
Land and construction	2,496	2.40	3,661	4.62	2,683	3.73
Commercial	4,476	4.30	4,997	6.30	4,522	6.29
Consumer	4,903	4.70	260	.33	794	1.10
Total loans	$ 104,189	100.00%	$ 79,288	100.00%	$ 71,929	100.00%
Add (deduct):						
Net deferred loan costs and premiums	53		155		282	
Allowance for loan losses	(2,009)		(2,243)		(3,991)	
Loans, net	$ 102,233		$ 77,200		$ 68,220	

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

	Year Ended December 31,		
	2019	2018	2017
Beginning balance	$ 2,243	$ 3,991	$ 3,915
Credit for loan losses	(79)	(1,754)	—
Loans charged off	(202)	(25)	(67)
Recoveries	47	31	143
Ending balance	$ 2,009	$ 2,243	$ 3,991

The allowance for loan losses represents management's estimate of probable incurred losses inherent in the existing loan portfolio. The allowance for loan losses is increased (decreased) by the provision (credit) for loan losses charged to operations and reduced by loans charged off, net of recoveries. The allowance for loan losses represented 1.93% and 2.83% of the total loans outstanding at December 31, 2019 and 2018, respectively.

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

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

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

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

	At December 31,					
	2019		2018		2017	
	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
Residential real estate	$ 531	27.13%	$ 544	34.31%	$ 641	36.22%
Multi-family real estate	82	8.06	88	10.34	59	10.23
Commercial real estate	624	53.41	545	44.10	759	42.43
Land and construction	21	2.40	37	4.62	22	3.73
Commercial	573	4.30	850	6.30	55	6.29
Consumer	152	4.70	25	.33	86	1.10
Unallocated	26	-	154	—	2,369	—
Total allowance for loan losses	$ 2,009	100.00%	$ 2,243	100.00%	$ 3,991	100.00%
Allowance for loan losses as a percentage of total loans outstanding		1.93%		2.83%		5.55%

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

	December 31, 2019			December 31, 2018			December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:									
Residential real estate							$ 194	$ 217	$ —
Commercial real estate	$ 2,206	$ 2,206	$ —	$ 2,259	$ 2,259	$ —	231	231	—
Commercial	—	—	—	1,114	1,114	—	—	—	—
With an allowance recorded -									
Residential real estate	944	944	258	954	954	268	978	978	330
Commercial real estate	—	—	—	1,602	1,602	162	744	744	83
Commercial	812	812	531	814	814	814	—	—	—
Total:									
Residential real estate	$ 944	$ 944	$ 258	$ 954	$ 954	$ 268	$ 1,172	$ 1,195	$ 330
Commercial real estate	$ 2,206	$ 2,206	$ —	$ 3,861	$ 3,861	$ 162	$ 975	$ 975	$ 83
Commercial	$ 812	$ 812	$ 531	$ 1,928	$ 1,928	$ 814	$ —	$ —	$ —
Total	$ 3,962	$ 3,962	$ 789	$ 6,743	$ 6,743	$ 1,244	$ 2,147	$ 2,170	$ 413

During 2019, 2018, and 2017, the average net investment in impaired loans and interest income recognized and received on impaired loans is as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Average investment in impaired loans	$ 4,829	$ 3,296	$ 1,801
Interest income recognized on impaired loans	$ 233	$ 187	$ 278
Interest income received on a cash basis on impaired loans	$ 230	$ 187	$ 173

Liquidity and Capital Resources

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

The Bank's primary sources of cash during the year ended December 31, 2019, were payments of principal and interest on loans made by the Bank to third parties, payments of principal and interest on debt securities held by the Bank and deposits made by third parties at the Bank. Cash was used primarily to fund loans and repay Federal Home Loan Bank of Atlanta ("FHLB") advances. The Bank adjusts rates on its deposits to attract or retain deposits as needed. The Bank primarily obtains deposits from its market area.

The Bank may borrow funds from other financial institutions. The Bank is a member of the FHLB, which allows it to borrow funds under a pre-arranged line of credit equal to $29.6 million. As of December 31, 2019, the Bank had $13.0 million in borrowings outstanding from the Federal Home Loan Bank of Atlanta to facilitate lending and manage its asset and liability structure. At December 31, 2019, the Company also had lines of credit amounting to $9.5 million with four correspondent banks to purchase federal funds. The Company also has a line of credit with the Federal Reserve Bank under which the Company may draw up to $350,000. The line is secured by $360,000 in securities. There were no federal funds purchased outstanding at December 31, 2019. There were $560,000 of federal funds purchased outstanding at December 31, 2018.

Debt Securities

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

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

	Amortized Cost	Fair Value
At December 31, 2019:		
Held-to-maturity:		
Collateralized mortgage obligations	$ 4,218	$ 4,347
Mortgage backed Securities	1,588	1,639
Total	$ 5,806	$ 5,986
Available for sale:		
SBA Pool Securities	$ 1,734	$ 1,682
Collateralized mortgage obligations	998	1,016
Mortgage backed Securities.	2,666	2,711
	$ 5,398	$ 5,409
At December 31, 2018:		
Held-to-maturity:		
Collateralized mortgage obligations	$ 5,183	$ 5,204
Mortgage backed securities	1,956	1,971
Total	$ 7,139	$ 7,175
Available for sale-		
SBA Pool Securities	$ 2,423	$ 2,359
At December 31, 2017:		
Securities available for sale:		
Collateralized mortgage obligations	$ 8,806	$ 8,466
SBA Pool Securities	2,965	2,971
	$ 11,771	$ 11,437

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

	After One Year Through Five Years	After Ten Years	Total	Yield
At December 31, 2019:				
Collateralized mortgage obligation	$ —	$ 5,216	$ 5,216	2.72%
Mortgage-backed Securities	—	4,254	4,254	2.56%
SBA Pool Securities	—	1,734	1,734	1.46%
	$ —	$ 11,204	$ 11,204	
At December 31, 2018:				
Collateralized mortgage obligation	$ —	$ 5,183	$ 5,183	2.09%
Mortgage - backed Securities		1,956	1,956	2.03%
SBA Pool Securities	—	$ 2,423	$ 2,423	2.67%
	$ —	$ 9,562	$ 9,562	
At December 31, 2017:				
Collateralized mortgage obligation	$ —	$ 8,806	$ 8,806	1.93%
SBA Pool Securities	—	2,965	2,965	2.50%
	$ —	$ 11,771	$ 11,771	

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 7 of notes to consolidated financial statements.

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

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

Asset Liability Management

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

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

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

The following table sets forth certain information related to the Bank's interest-earning assets and interest-bearing liabilities at December 31, 2019, 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	$ 11,084	$ 13,940	$ 2,142	$ 1,100	$ 28,266
Multi-family real estate loans	1,889	6,438	69	—	8,396
Commercial real estate loans	6,612	43,232	5,808	—	55,652
Land and construction	1,611	885	—	—	2,496
Commercial	3,700	776	—	—	4,476
Consumer	—	4,903	—	—	4,903
Total loans	24,896	70,174	8,019	1,100	104,189
Securities (2)	—	—	—	11,215	11,215
Interest-bearing deposits in banks	6,823	—	—	—	6,823
Federal Home Loan Bank stock	642	—	—	—	642
Total rate-sensitive assets	32,361	70,174	8,019	12,315	122,869
Deposit accounts (3):					
Money-market deposits	48,092	—	—	—	48,092
Interest-bearing checking deposits	6,928	—	—	—	6,928
Savings deposits	455	—	—	—	455
Time deposits	32,403	2,949	—	—	35,352
Total deposits	87,878	2,949	—	—	90,827
Federal Home Loan Bank advances	—	9,000	4,000	—	13,000
Junior subordinated debenture	2,580	—	—	—	2,580
Total rate-sensitive liabilities	90,458	11,949	4,000	—	106,407
GAP (repricing differences)	$ (58,097)	$ 58,225	$ 4,019	$ 12,315	$ 16,462
Cumulative GAP	$ (58,097)	$ 128	$ 4,147	$ 16,462	$ (37,360)
Cumulative GAP/total assets	(45.84)%	—	3.28%	12.99%	

(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, 2019 (in thousands):

	One Year or Less	After One But Within Five Years	After Five Years	Total
Residential real estate	$ 862	$ 848	$ 26,556	$ 28,266
Multi-family real estate	—	—	8,396	8,396
Commercial real estate	2,176	6,776	46,700	55,652
Land and construction	1,235	885	376	2,496
Commercial	777	3,033	666	4,476
Consumer	—	4,903	—	4,903
Total	$ 5,050	$ 16,445	$ 82,694	$ 104,189

The following table sets forth the maturity or repricing of loans by interest type at December 31, 2019 (in thousands):

	One Year or Less	After One But Within Five Years	After Five Years	Total
Fixed interest rate	$ 4,238	$ 5,765	$ 6,973	$ 16,976
Variable interest rate	20,658	64,409	2,146	87,213
Total	$ 24,896	$ 70,174	$ 9,119	$ 104,189

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 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 include commitments to extend credit, unused lines of credit, and standby letters of 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 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. Since certain commitments expire without being drawn upon, the total committed 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 in order to extend credit, is based on management's credit evaluation of the counterparty.

A summary of the contractual amounts of the Company's off-balance sheet risk at December 31, 2019 follows (in thousands):

Commitments to extend credit	$ 2,200
Unused lines of credit	$ 2,020
Standby letters of credit	$ 1,550

The following is a summary of the Company's contractual obligations, including certain on-balance sheet obligations, at December 31, 2019 (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	$ 13,000	$ —	$ 5,000	$ 4,000	$ 4,000
Junior subordinated debenture	2,580	—	—	—	2,580
Other borrowings	—	—	—	—	—
Operating lease liabilities	1,156	158	416	292	290
Total	$ 16,736	$ 158	$ 5,416	$ 4,292	$ 6,870

Deposits

Deposits traditionally are the primary source of funds for the Company's use in lending, making investments and meeting liquidity demands. The Company 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 Company offers a variety of deposit products, which are promoted within its market area. Deposits increased $39.0 million in 2019.

The following table displays the distribution of the Company's deposits at December 31, 2019, 2018 and 2017 (in thousands):

	2019		2018		2017	
	Amount	% of Deposits	Amount	% of Deposits	Amount	% of Deposits
Noninterest-bearing demand deposits	$ 10,545	10.40	$ 9,638	15.45%	$ 12,632	19.36%
Interest-bearing demand deposits	6,928	6.83	20,450	32.79	4,782	7.33
Money-market deposits	48,092	47.44	5,675	9.10	16,498	25.28
Savings	455	.45	557	0.89	765	1.17
Subtotal	66,020	65.12	$ 36,320	58.23%	$ 34,677	53.14%
Time deposits:						
0.00% – 0.99%	3,407	3.36	$ 2,669	4.28%	$ 6,849	10.50%
1.00% – 1.99%	5,172	5.11	10,113	16.21	23,582	36.14
2.00% – 2.99%	26,773	26.41	13,276	21.28	143	0.22
Total time deposits (1)	35,352	34.88	26,058	41.77	30,574	46.86
Total deposits	$ 101,372	100.00%	$ 62,378	100.00%	$ 65,251	100.00%

(1) Includes Individual Retirement Accounts (IRA's) totaling $2,221,000 and $1,922,000 at December 31, 2019 and 2018, respectively, all of which are in the form of time deposits.

Time Deposits of $250,000 or more, or Jumbo Time Deposits, are generally considered a more unpredictable source of funds. The following table sets forth the Company's maturity distribution of time deposits of $250,000 or more at December 31, 2019 and 2018 (in thousands):

	At December 31,	
	2019	2018
Due three months or less	$ 1,378	$ 666
Due more than three months to six months	795	324
More than six months to one year	2,492	909
One to five years	258	760
Total	$ 4,923	$ 2,659

Analysis of Results of Operations

The Company'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 Company's interest-rate spread is affected by regulatory, economic, and competitive factors that influence interest rates, loan demand, and deposit flows. The Company's 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):

	Year Ended December 31,								
	2019			2018			2017		
	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	86,867	4,693	5.40%	$ 74,598	$ 3,912	5.24%	$ 75,894	$ 4,126	5.44%
Securities	11,465	245	2.14	10,494	232	2.21	18,054	366	2.03
Other interest-earning assets (1)	9,970	236	2.37	4,811	148	3.08	16,536	224	1.35
Total interest-earning assets/interest income	108,302	5,174	4.78	89,903	4,292	4.78%	110,484	4,716	4.27%
Cash and due from banks	2,130			1,676			1,171		
Premises and equipment	2,915			2,676			2,618		
Other assets	(983)			(1,985)			(3,480)		
Total assets	112,364			$ 92,270			$ 110,793		
Interest-bearing liabilities:									
Savings, NOW and money-market deposits	44,494	805	1.81	$ 22,000	175	.80	$ 22,062	112	.51
Time deposits	30,733	698	2.27	23,032	335	1.45	50,367	562	1.11
Borrowings (4)	18,142	543	2.99	29,213	736	2.52	25,672	522	2.03
Total interest-bearing liabilities/interest expense	93,369	2,046	2.19	74,245	1,246	1.68	98,101	1,196	1.22
Noninterest-bearing demand deposits	11,557			11,893			6,551		
Other liabilities	2,279			2,105			3,380		
Stockholders' equity	5,159			4,027			2,761		
Total liabilities and stockholders' equity	112,364			$ 92,270			$ 110,793		
Net interest income		3,128			$ 3,046			$ 3,520	
Interest rate spread (2)			2.59			3.10			3.05
Net interest margin (3)			2.89			3.39			3.19
Ratio of average interest-earning assets to average interest-bearing liabilities			1.16			1.21			1.13

(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.

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, 2019 versus 2018 Increases (Decreases) Due to Change In:			
	Rate	Volume	Rate/ Volume	Total
Interest-earning assets:				
Loans	$ 118	$ 643	$ 20	$ 781
Securities	(8)	22	(1)	13
Other interest-earning assets	(34)	159	(37)	88
Total interest-earning assets	76	824	(18)	882
Interest-bearing liabilities:				
Savings, NOW and money-market	223	179	228	630
Time deposits	188	112	63	363
Other	138	(279)	(52)	(193)
Total interest-bearing liabilities	549	12	239	800
Net interest (expense) income	$ (473)	$ 812	$ (257)	$ 82

	Year Ended December 31, 2018 versus 2017 Increases (Decreases) Due to Change In:			
	Rate	Volume	Rate/ Volume	Total
Interest-earning assets:				
Loans	$ (146)	$ (70)	$ 2	$ (214)
Securities	33	(153)	(14)	(134)
Other interest-earning assets	285	(159)	(202)	(76)
Total interest-earning assets	172	(382)	(214)	(424)
Interest-bearing liabilities:				
Savings, NOW and money-market	63	0	0	63
Time deposits	171	(305)	(93)	(227)
Other	125	72	17	214
Total interest-bearing liabilities	359	(233)	(76)	50
Net interest income	$ (187)	$ (149)	$ (138)	$ (474)

Financial Condition as of December 31, 2019 Compared to December 31, 2018

The Company's total assets at December 31, 2019, were $126.7 million, an increase of $27.3 million from December 31, 2018.

At December 31, 2019, the Bank had a Tier 1 leverage ratio of 8.73%, and a total risk-based capital ratio of 12.03%. The Company's capital was enhanced during 2019 through the issuance of common stock, consisting of $31,000 which was reclassified from other liabilities, $201,000 from the issuance of common stock to a director as compensation for services, and $2.9 million from the issuance of common stock in exchange for Trust Preferred Securities.

Junior Subordinated Debenture. In 2004, the Company formed OptimumBank Capital Trust I (the "Trust") for the purposes of raising capital for the Bank through the sale of trust preferred securities. At that time, the Trust raised $5,155,000 through the sale of 5,000 trust preferred securities (the "Trust Preferred Securities") to a third party investor and the issuance of 155 common trust securities to the Company.

The Trust utilized the proceeds of $5,155,000 to purchase a junior subordinated debenture from the Company (the "Junior Subordinated Debenture"). Under the Junior Subordinated Debenture, the Company is required to make interest payments on a periodic basis and to pay the outstanding principal amount plus accrued interest on October 7, 2034. The Company has been in default under the Junior Subordinated Debenture since 2015 due to its failure to make required interest payments. To date, neither the trustee nor the holders of the Trust Preferred Securities have accelerated the outstanding balance of the Junior Subordinated Debenture.

In May 2018, Preferred Shares, LLC (the "Purchaser") acquired all 5,000 of the Trust Preferred Securities from a third party. The Purchaser is an affiliate of a director of the Company. The Purchaser has subsequently sold or transferred 2,575 of the Trust Preferred Securities to third parties.

During the third quarter of 2018, the holders of 694 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 301,778 shares of the Company's common stock. These shares were issued at a value of $3.00. In December 2019, the holders of an additional 1,881 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 924,395 shares of the Company's common stock pursuant to a tender offer made by the Company. These shares were issued at a value of $2.86.

For accounting purposes, the Trust Preferred Securities acquired by the Company have been cancelled. As a result, in 2018, the Company cancelled $694,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $211,000, and increased its stockholders' equity by the same amount. In 2019, the Company cancelled $1,881,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $763,000, and increased stockholders' equity by the same amount.

The Company's total acquisition of 2,575 Trust Preferred Securities in 2018 and 2019 was recorded as a principal and accrued interest reduction associated with the Junior Subordinated Debenture. The remaining principal owed by the Company in connection with the Junior Subordinated Debenture is $2,580,000 and $4,461,000 at December 31, 2019 and 2018, respectively. The remaining accrued interest owed by the Company associated with the Junior Subordinated Debenture is $995,000 and $1,475,000 at December 31, 2019 and 2018, respectively, is presented on the accompanying consolidated balance sheet under the caption "other liabilities".

The outstanding 2,425 Trust Preferred Securities continue to be in default. However, the Purchaser, as the owner of all of the outstanding Trust Preferred Securities, has provided the Company with written representation not to accelerate the principal and accrued interest amounts due under the Junior Subordinated Debenture within the next twelve months from the date this Annual Report, Form 10-K as of and for the year ended December 31, 2019, is filed with the Securities and Exchange Commission.

The Company is planning to acquire additional Trust Preferred Securities in 2020 in exchange for shares of its common stock, although it has not yet entered into any agreement or commitment with respect to such an exchange.

Results of Operations for Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

General. Net losses of $1.1 million or $(.58) loss per basic and diluted share for the year ended December 31, 2019 compared to net earnings for the year ended December 31, 2018 of $796,000 or $.53 earnings per basic and diluted share.

Interest income. Interest income increased to $5.2 million for the year ended December 31, 2019 compared to $4.3 million for the year ended December 31, 2018. Interest on loans increased by $781,000 due to an increase in average balance of loans in 2019 compared to 2018. Interest on securities increased by $13,000 due to an increase in average balance of securities in 2019 compared to 2018. Other interest income increased by $88,000 as the Bank's average deposits increased, resulting in an increase in cash available for other interest-earning assets.

Interest expense. Interest expense on deposits was $1.5 million during the year ended December 31, 2019 compared to $510,000 during the year ended December 31, 2018. Interest expense on borrowings was $543,000 in the year ended December 31, 2019 compared to $736,000 during the year ended December 31, 2018.

Provision for Loan Losses. During the years ended December 31, 2019 and 2018, the Bank recorded a credit for loan losses for $79,000 and $1,754,000, respectively. The Bank adjusts its total allowance for loan losses to a level deemed appropriate by management to absorb losses inherent in the portfolio. An increase in the allowance is achieved through a provision for loan losses, which is charged against income. A decrease in the allowance is achieved through a credit for loan losses, which is added to income. Management's periodic evaluation of the adequacy of the allowance is based upon historical experience, the volume and type of lending conducted by us, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, loans identified as impaired, general economic conditions, particularly as they relate to our market areas, and other factors related to the estimated collectability of our loan portfolio. The allowance for loan losses totaled $2.0 million or 1.9% of loans outstanding at December 31, 2019, as compared to $2.2 million or 2.8% of loans outstanding at December 31, 2018. Management believes the balance in the allowance for loan losses at December 31, 2019 is adequate. The Company determined that it was appropriate to decrease the amount of the Company's allowance in 2019 and 2018 due to the continued improvement in the performance and credit quality of the loan portfolio.

Noninterest Income. Total noninterest income increased to $182,000 for the year ended December 31, 2019, from $84,000 for the year ended December 31, 2018 primarily due increase in service charges and fees in 2019.

Noninterest Expenses. Total noninterest expenses to $4.5 million for the year ended December 31, 2019, from $4.1 million for the year ended December 31, 2018, primarily due to a loss on sale of one of the Company's branch facilities (which was relocated to a leased location) and an increase in salaries and employee benefits.

Income Taxes. The Company had a tax benefit of $52,000 during the year ended December 31, 2019. There were no income taxes during the year ended December 31, 2018.

Impact of Inflation and Changing Prices

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

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
OptimumBank Holdings, Inc.
Fort Lauderdale, Florida:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of OptimumBank Holdings, Inc. and subsidiary (the "Company"), as of December 31, 2019 and 2018 and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and cash flows for the years then ended and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, the Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ HACKER, JOHNSON & SMITH PA
We have served as the Company's auditor since 2000.
Fort Lauderdale, Florida
March 25, 2020

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	December 31, 2019	December 31, 2018
Assets:		
Cash and due from banks	$ 2,111	$ 1,934
Interest-bearing deposits with banks	6,823	6,049
Total cash and cash equivalents	8,934	7,983
Debt securities available for sale	5,409	2,359
Debt securities held-to-maturity (fair value of $5,986 and $7,175)	5,806	7,139
Loans, net of allowance for loan losses of $2,009 and $2,243	102,233	77,200
Federal Home Loan Bank stock	642	1,132
Premises and equipment, net	1,389	2,668
Right-of-use lease assets	1,055	—
Accrued interest receivable	432	314
Other assets	848	656
Total assets	$ 126,748	$ 99,451
Liabilities and Stockholders' Equity:		
Liabilities:		
Noninterest-bearing demand deposits	10,545	9,638
Savings, NOW and money-market deposits	55,475	26,682
Time deposits	35,352	26,058
Total deposits	101,372	62,378
Federal Home Loan Bank advances	13,000	24,600
Junior subordinated debenture	2,580	4,461
Federal funds purchased	—	560
Official checks	208	274
Operating lease liabilities	1,061	—
Other liabilities	1,320	1,872
Total liabilities	119,541	94,145
Commitments and contingencies (Notes 5, 8 and 14)		
Stockholders' equity:		
Preferred stock, no par value; 6,000,000 shares authorized: Designated Series A, $25,000 liquidation value per share, none issued or outstanding	—	—
Common stock, $.01 par value; 5,000,000 shares authorized, 2,853,171 shares and 1,858,020 shares issued and outstanding	28	18
Additional paid-in capital	38,994	36,128
Accumulated deficit	(31,610)	(30,510)
Accumulated other comprehensive loss	(205)	(330)
Total stockholders' equity	7,207	5,306
Total liabilities and stockholders' equity	$ 126,748	$ 99,451

See accompanying notes to Consolidated Financial Statements

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Operations
(In thousands, except share amounts)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest income:		
Loans	$ 4,693	$ 3,912
Debt securities	245	232
Other	236	148
Total interest income	5,174	4,292
Interest expense:		
Deposits	1,503	510
Borrowings	543	736
Total interest expense	2,046	1,246
Net interest income	3,128	3,046
Credit for loan losses	79	1,754
Net interest income after credit for loan losses	3,207	4,800
Noninterest income:		
Service charges and fees	106	49
Other	76	35
Total noninterest income	182	84
Noninterest expenses:		
Salaries and employee benefits	2,022	1,864
Occupancy and equipment	487	437
Data processing	491	407
Professional fees	537	558
Loss on sale of premises and equipment, net	215	—
Other	789	822
Total noninterest expenses	4,541	4,088
Net (loss) earnings before income tax benefit	(1,152)	796
Income tax benefit	(52)	—
Net (loss) earnings	$ (1,100)	$ 796
Net (loss) earnings per share:		
Basic and diluted	$ (.58)	$ .53

See Accompanying Notes to Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	Year Ended December 31, 2019	Year Ended December 31, 2018
Net (loss) earnings	$ (1,100)	$ 796
Other comprehensive income (loss):		
Change in unrealized gain on debt securities:		
Unrealized gain arising during the year	75	270
Amortization of unrealized loss on debt securities transferred to held-to-maturity	93	55
Reclassification adjustment for unrealized loss on debt securities transferred to held-to-maturity	—	(432)
Other comprehensive income (loss) before income tax (expense) benefit	168	(107)
Deferred income tax (expense) benefit on above change	(43)	27
Total other comprehensive income (loss)	125	(80)
Comprehensive (loss) income	$ (975)	$ 716

See Accompanying Notes to Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2019 and 2018
(Dollars in thousands except per share amounts)

	Preferred Stock Series A		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity
Balance at December 31, 2017	7	$ —	1,120,947	$ 11	$ 34,090	$ (31,306)	$ (250)	$ 2,545
Proceeds from sale of common stock	—	—	211,367	2	523	—	—	525
Common stock issued as compensation to directors	—	—	144,742	2	613	—	—	615
Common stock issued in exchange for Preferred Stock	(7)	—	79,186	—	—	—	—	—
Common stock issued in exchange for Trust Preferred Securities	—	—	301,778	3	902	—	—	905
Net change in unrealized loss on debt securities available for sale, net of income taxes	—	—	—	—	—	—	200	200
Amortization of unrealized loss on securities transferred to held-to-maturity	—	—	—	—	—	—	44	44
Unrealized loss on securities transferred to held-to-maturity, net of income tax benefit	—	—	—	—	—	—	(324)	(324)
Net earnings	—	—	—	—	—	796	—	796
Balance at December 31, 2018	—	$ —	1,858,020	$ 18	$ 36,128	$ (30,510)	$ (330)	$ 5,306
Common stock issued and reclassified from other liabilities	—	—	12,447	—	31	—	—	31
Common stock issued as compensation to directors	—	—	58,309	1	200	—	—	201
Common stock issued in exchange for Trust Preferred Securities	—	—	924,395	9	2,635	—	—	2,644
Net change in unrealized gain on debt securities available for sale, net of income taxes	—	—	—	—	—	—	56	56
Amortization of unrealized loss on debt securities transferred to held-to-maturity	—	—	—	—	—	—	69	69
Net earnings	—	—	—	—	—	(1,100)	—	(1,100)
Balance at December 31, 2019	—	$ —	2,853,171	$ 28	$ 38,994	$ (31,610)	$ (205)	$ 7,207

See Accompanying Notes to Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2019	**2018**
Cash flows from operating activities:		
Net (loss) earnings	$ (1,100)	$ 796
Adjustments to reconcile net (loss) earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	173	159
Common stock issued as compensation for services	201	—
Net amortization of fees, premiums and discounts	203	237
Credit for loan losses	(79)	(1,754)
Loss on sale of premises and equipment, net	215	—
(Increase) decrease in accrued interest receivable	(118)	2
Amortization of right of use asset	89	—
Net decrease in lease liability	(83)	—
(Increase) decrease in other assets	(235)	15
Increase in official checks and other liabilities	176	569
Net cash (used in) provided by operating activities	(558)	24
Cash flows from investing activities:		
Principal repayments of debt securities available for sale	1,106	906
Purchase of debt securities available for sale	(4,158)	—
Principal repayments of debt securities held-to-maturity	1,379	814
Net increase in loans	(23,983)	(7,351)
Purchase of premises and equipment, net	(509)	(234)
Proceeds from sale of premises and equipment	350	—
Redemption (Purchase) of Federal Home Loan Bank stock	490	(153)
Net cash used in investing activities	(25,325)	(6,018)
Cash flows from financing activities:		
Net increase (decrease) in deposits	38,994	(2,873)
(Repayments) purchase of Federal Home Loan Bank advances, net	(11,600)	4,100
Proceeds from sale of common stock	—	525
(Decrease) increase in federal funds purchased	(560)	560
Net cash provided by financing activities	26,834	2,312
Increase (decrease) in cash and cash equivalents	951	(3,682)
Cash and cash equivalents at beginning of the year	7,983	11,665
Cash and cash equivalents at end of the year	$ 8,934	$ 7,983

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows, Continued
(In thousands)

	Year Ended December 31,	
	2019	**2018**
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 1,756	$ 931
Income taxes	$ —	$ —
Noncash transactions:		
Change in accumulated other comprehensive loss, net change in unrealized loss on debt securities available for sale, net of income taxes	$ 125	$ (80)
Transfer of debt securities from available for sale to held-to-maturity	$ —	$ 7,945
Premises and equipment transferred to loans	$ 1,050	$ —
Reclassification of stock compensation from other liabilities to common stock	$ —	$ 615
Common stock issued and reclassified from other liabilities	$ 31	$ —
Issuance of common stock in exchange for Trust Preferred Securities	$ 2,644	$ 905
Amortization of unrealized loss on debt securities transferred to held-to-maturity	$ 93	$ 55
Right-of -use lease assets obtained in exchange for operating lease liabilities	$ 1,144	$ —

See Accompanying Notes to Consolidated Financial Statements.

(1) Summary of Significant Accounting Policies

Organization. OptimumBank Holdings, Inc. (the "Company") is a one-bank holding company and owns 100% of OptimumBank (the "Bank"), a Florida-chartered commercial bank. The Company's only business is the operation of the Bank. 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.

Basis of Presentation. The accompanying consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation. The accounting and reporting practices of the Company conform to accounting principles generally accepted in the United States of America ("GAAP") and to general practices within the banking industry. The following summarizes the more significant of these policies and practices.

Junior Subordinated Debenture. In 2004, the Company formed OptimumBank Capital Trust I (the "Trust") for the purposes of raising capital for the Bank through the sale of trust preferred securities. At that time, the Trust raised $5,155,000 through the sale of 5,000 trust preferred securities (the "Trust Preferred Securities") to a third party investor and the issuance of 155 common trust securities to the Company.

The Trust utilized the proceeds of $5,155,000 to purchase a junior subordinated debenture from the Company (the "Junior Subordinated Debenture"). Under the Junior Subordinated Debenture, the Company is required to make interest payments on a periodic basis and to pay the outstanding principal amount plus accrued interest on October 7, 2034. The Company has been in default under the Junior Subordinated Debenture since 2015 due to its failure to make required interest payments. To date, neither the trustee nor the holders of the Trust Preferred Securities have accelerated the outstanding balance of the Junior Subordinated Debenture.

In May 2018, Preferred Shares, LLC (the "Purchaser") acquired all 5,000 of the Trust Preferred Securities from a third party. The Purchaser is an affiliate of a director of the Company. The Purchaser has subsequently sold or transferred 2,575 of the Trust Preferred Securities to third parties.

During the third quarter of 2018, the holders of 694 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 301,778 shares of the Company's common stock. These shares were issued at a value of $3.00. In December 2019, the holders of an additional 1,881 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 924,395 shares of the Company's common stock pursuant to a tender offer made by the Company. These shares were issued at a value of $2.86.

For accounting purposes, the Trust Preferred Securities acquired by the Company have been cancelled. As a result, in 2018, the Company cancelled $694,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $211,000, and increased its stockholders' equity by the same amount. In 2019, the Company cancelled $1,881,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $763,000, and increased stockholders' equity by the same amount.

The Company's total acquisition of 2,575 Trust Preferred Securities in 2018 and 2019 was recorded as a principal and accrued interest reduction associated with the Junior Subordinated Debenture. The remaining principal owed by the Company in connection with the Junior Subordinated Debenture is $2,580,000 and $4,461,000 at December 31, 2019 and 2018, respectively. The remaining accrued interest owed by the Company associated with the Junior Subordinated Debenture is $995,000 and $1,475,000 at December 31, 2019 and 2018, respectively, is presented on the accompanying consolidated balance sheet under the caption "other liabilities".

The outstanding 2,425 Trust Preferred Securities continue to be in default. However, the Purchaser, as the owner of all of the outstanding Trust Preferred Securities, has provided the Company with written representation not to accelerate the principal and accrued interest amounts due under the Junior Subordinated Debenture within the next twelve months from the date this Annual Report, Form 10-K as of and for the year ended December 31, 2019, is filed with the Securities and Exchange Commission.

The Company is planning to acquire additional Trust Preferred Securities in 2020 in exchange for shares of its common stock, although it has not yet entered into any agreement or commitment with respect to such an exchange.

Use of Estimates. In preparing consolidated financial statements in conformity with 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 and the valuation of 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 with banks, 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 deposit with Federal Reserve Banks or in Pass-through accounts with other banks. At December 31, 2019 and 2018, there were no required cash reserves.

(continued)

(1) Summary of Significant Accounting Policies, continued

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

Management evaluates debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. A debt security is impaired if the fair value is less than its carrying value at the financial statement date. When a debt 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 debt 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 debt 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 income. 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 debt 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.

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, 2019 and 2018.

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.

(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.

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.

Preferred Securities of Unconsolidated Subsidiary Trust. The Company owns all of the common interests of OptimumBank Holdings Capital Trust I (the "Trust"), an unconsolidated subsidiary trust. The Trust used the proceeds from the sale of $5,000,000 of its Trust Preferred Securities and $155,000 from the issuance of common interests in the Trust to acquire a $5,155,000 Junior Subordinated Debenture issued by the Company. The Junior Subordinated Debenture and certain capitalized costs associated with the issuance of the securities comprise the Trust's only assets, Interest payments on the Junior Subordinated Debenture are intended to finance the distributions paid on the Trust Preferred Securities. The Company recorded the Junior Subordinated Debenture as a liability under the heading "Junior Subordinated Debenture" and its ownership of the common interests in the Trust under the heading "Other Assets" in the accompanying consolidated balance sheets (See Note 7).

The Company has entered into agreements which, taken collectively, fully and unconditionally guarantee the preferred securities of the 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.

(1) Summary of Significant Accounting Policies, continued

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.

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 are recorded as a component of income tax expense. See Note 8 for additional details.

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

The Company and the Bank file a consolidated income tax return. Income taxes are allocated proportionately to the 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 $18,000 and $40,000 during the years ended December 31, 2019 and 2018, 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.

(Loss) Earnings Per Share. Basic (loss) earnings per share is computed on the basis of the weighted-average number of common shares outstanding. In 2019, basic and diluted loss per share is the same due to the net loss incurred by the Company. In 2018, basic and diluted earnings per share is the same as there were no outstanding potentially dilutive securities. (Loss) earnings per common share has been computed based on the following:

	Year Ended December 31,	
	2019	**2018**
Weighted-average number of common shares outstanding used to calculate basic and diluted (loss) earnings per common share	1,901,970	1,493,303

(1) Summary of Significant Accounting Policies, continued

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, unused lines of credit, and standby letters of 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.

The following describes valuation methodologies used for assets measured at fair value:

Debt Securities Available for Sale and Held to Maturity. Where quoted prices are available in an active market, debt securities are classified within Level 1 of the valuation hierarchy. Level 1 debt securities include highly liquid government bonds and certain mortgage products. 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 debt securities and U.S. Government and agency debt 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.

(1) Summary of Significant Accounting Policies, continued

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 (Level 1).

Debt Securities. Fair values for debt securities are based on the framework for measuring fair value established by GAAP (Level 2).

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 (Level 3).

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 (Level 3).

Accrued Interest Receivable. The carrying amount of accrued interest approximates its fair value (Level 3).

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 (Level 3).

Federal Home Loan Bank Advances. Fair values of Federal Home Loan Bank advances are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowings (Level 3).

Federal Funds Purchased. The carrying amount of federal funds purchased approximates its fair value (Level 1).

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 (Level 3).

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

Accumulated other comprehensive loss consists of the following (in thousands):

	December 31, 2019	December 31, 2018
Unrealized loss on securities available for sale	$ 11	$ (64)
Unamortized portion of unrealized loss related to debt securities available for sale transferred to debt securities held-to-maturity	(284)	(377)
Income tax benefit	68	111
	$ (205)	$ (330)

(1) Summary of Significant Accounting Policies, continued

Reclassifications. Certain amounts have been reclassified to allow for consistent presentation in the years presented.

Recent Pronouncements. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the consolidated balance sheet. The Company adopted ASU 2016-02 on January 1, 2019. Our only lease at the adoption date was an operating lease for a branch location that has a 5 year term, commenced in December 2017, does not offer any options to extend, and does contain a rent escalation clause. The effect of this ASU increased total assets by $281,000 and total liabilities by $281,000, at the adoption date. During June 2019, the Company entered into another operating lease agreement which commenced in September 2019, has a 10 year term, does not offer any options to extend, and does contain a rent escalation clause. This resulted in an additional increase to total assets of $863,000 and total liabilities of $863,000.

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments-Credit Losses (Topic 326)*. The ASU improves financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by the Company. The ASU requires the Company to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. The Company will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the consolidated financial statements. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU will take effect for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022 as the FASB approved delaying the initially anticipated effective date January 1, 2020. Early adoption is permitted. The Company is in the process of determining the effect of the ASU on its consolidated financial statements.

(continued)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2019:				
Held-to-maturity:				
Collateralized mortgage obligations	$ 4,218	$ 129	—	$ 4,347
Mortgage-backed securities	1,588	51	—	1,639
Total	$ 5,806	$ 180	—	$ 5,986
Available for sale:				
SBA Pool Securities	$ 1,734	$ —	$ (52)	$ 1,682
Collateralized mortgage obligations	998	18	—	1,016
Mortgage-backed securities	2,666	45	—	2,711
Total	$ 5,398	$ 63	$ (52)	$ 5,409

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2018:				
Held-to-Maturity:				
Collateralized mortgage obligations	$ 5,183	$ 25	$ (4)	$ 5,204
Mortgage-backed securities	1,956	15	—	1,971
Total	$ 7,139	$ 40	$ (4)	$ 7,175
Available for Sale -				
SBA Pool Securities	$ 2,423	$ —	$ (64)	$ 2,359

In April 2018, the bank transferred debt securities of $7,945,000 from the available-for-sale category to the held-to-maturity category at their then fair values resulting in unrealized losses of $432,000. The unrealized loss was recorded in stockholders' equity net of amortization and net of tax and is being amortized over the remaining term of the securities. At December 31, 2019, and 2018, $148,000 and $55,000, respectively, has been amortized.

There were no sales of debt securities available for sale during the years ended December 31, 2019 and 2018.

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

	At December 31, 2019			
	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available for Sale —				
SBA Pool Securities	$ 52	1.682	-	-

	At December 31, 2018			
	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Held-to-maturity —				
Collateralized mortgage obligations	$ 4	$ 1,361	$ —	$ —
Available for Sale —				
SBA Pool Securities	$ 24	$ 829	$ 40	$ 1,530

(continued)

(2) ***Debt Securities, Continued.*** Management evaluates debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2019 and 2018, the unrealized losses on six and seven investment debt securities, respectively were caused by market conditions. It is expected that the debt 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.

Available-for-sale debt 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 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
At December 31, 2019 –				
SBA Pool Securities	$ 1,682	$ —	$ 1,682	—
Collateralized mortgage obligations	1,016	—	1,016	—
Mortgage-backed securities	2,711	—	2,711	—
Total	5,409	—	$ 5,409	—
At December 31, 2018 –				
SBA Pool Securities	$ 2,359	$ —	$ 2,359	$ —

During the years ended December 31, 2019 and 2018, no debt securities were transferred in or out of Level 1, 2 or 3.

As of December 31, 2019, the Company had pledged securities with a market value of $363,000 as collateral for the Federal Reserve Bank (the “FRB”) discount window.

The Company’s available-for-sale and held-to-maturity debt securities all have contractual maturity dates which are greater than ten years as of December 31, 2019. Expected maturities of these debt securities will differ from contractual maturities because borrowers have the right to call or repay obligations with or without call or prepayment penalties.

(continued)

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

	At December 31, 2019	At December 31, 2018
Residential real estate	$ 28,266	$ 27,204
Multi-family real estate	8,396	8,195
Commercial real estate	55,652	34,971
Land and construction	2,496	3,661
Commercial	4,476	4,997
Consumer	4,903	260
Total loans	104,189	79,288
Add (deduct):		
Net deferred loan fees, costs and premiums	53	155
Allowance for loan losses	(2,009)	(2,243)
Loans, net	$ 102,233	$ 77,200

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.

(continued)

(3) ***Loans, Continued.*** An analysis of the change in the allowance for loan losses for the years ended December 31, 2019 and 2018 follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Unallocated	Total
Year Ended December 31, 2019:								
Beginning balance	$ 544	88	545	37	850	25	154	2,243
(Credit) provision for loan losses	(36)	(6)	274	(40)	(277)	134	(128)	(79)
Charge-offs	—	—	(195)	—	—	(7)	—	(202)
Recoveries	23	—	—	24	—	—	—	47
Ending balance	$ 531	$ 82	$ 624	$ 21	$ 573	$ 152	$ 26	$ 2,009
Year Ended December 31, 2018:								
Beginning balance	$ 641	$ 59	$ 759	$ 22	$ 55	$ 86	$ 2,369	$ 3,991
(Credit) provision for loan losses	(97)	29	(214)	(8)	795	(44)	(2,215)	(1,754)
Charge-offs	—	—	—	—	—	(25)	—	(25)
Recoveries	—	—	—	23	—	8	—	31
Ending balance	$ 544	$ 88	$ 545	$ 37	$ 850	$ 25	$ 154	$ 2,243

(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, 2019 and 2018 follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Unallocated	Total
At December 31, 2019:								
Individually evaluated for impairment:								
Recorded investment	$ 944	$ —	$ 2,206	$ —	$ 812	$ —	$ —	$ 3,962
Balance in allowance for loan losses	$ 258	$ —	$ —	$ —	$ 531	$ —	$ —	$ 789
Collectively evaluated for impairment:								
Recorded investment	$ 27,322	$ 8,396	$ 53,446	$ 2,496	$ 3,664	$ 4,903	$ —	$ 100,227
Balance in allowance for loan losses	$ 273	$ 82	$ 624	$ 21	$ 42	$ 152	$ 26	$ 1,220
At December 31, 2018:								
Individually evaluated for impairment:								
Recorded investment	$ 954	$ —	$ 3,861	$ —	$ 1,928	$ —	$ —	$ 6,743
Balance in allowance for loan losses	$ 268	$ —	$ 162	$ —	$ 814	$ —	$ —	$ 1,244
Collectively evaluated for impairment:								
Recorded investment	$ 26,250	$ 8,195	$ 31,110	$ 3,661	$ 3,069	$ 260	$ —	$ 72,545
Balance in allowance for loan losses	$ 276	$ 88	$ 383	$ 37	$ 36	$ 25	$ 154	$ 999

(continued)

(3) *Loans, Continued.*

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. Residential real estate loans are underwritten based on 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.

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. 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. Risk is mitigated by the fact that the loans are of smaller individual amounts.

(continued)

(3) ***Loans, Continued.*** The following summarizes the loan credit quality (in thousands):

	Pass	OLEM (Other Loans Especially Mentioned)	Sub-standard	Doubtful	Loss	Total
At December 31, 2019:						
Residential real estate	$ 27,322	$ —	$ 944	$ —	$ —	$ 28,266
Multi-family real estate	8,396	—	—	—	—	8,396
Commercial real estate	53,011	435	2,206	—	—	55,652
Land and construction	1,261	1,235	—	—	—	2,496
Commercial	3,027	637	812	—	—	4,476
Consumer	4,903	—	—	—	—	4,903
Total	$ 97,920	$ 2,307	$ 3,962	$ —	$ —	$ 104,189
At December 31, 2018:						
Residential real estate	$ 26,250	$ —	$ 954	$ —	$ —	$ 27,204
Multi-family real estate	8,195	—	—	—	—	8,195
Commercial real estate	30,697	413	3,861	—	—	34,971
Land and construction	2,351	1,310	—	—	—	3,661
Commercial	2,362	707	1,928	—	—	4,997
Consumer	260	—	—	—	—	260
Total	$ 70,115	$ 2,430	$ 6,743	$ —	$ —	$ 79,288

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

Substandard – a Substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Included in this category are loans that are current on their payments, but the Bank is unable to document the source of repayment. 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.

(continued)

(3) ***Loans, Continued.*** Age analysis of past due loans at December 31, 2019 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, 2019:							
Residential real estate	$ 944	$ —	$ —	$ 944	$ 27,322	$ —	$ 28,266
Multi-family real estate	—	—	—	—	8,396	—	8,396
Commercial real estate	—	—	—	—	55,652	—	55,652
Land and construction	1,235	—	—	1,235	1,261	—	2,496
Commercial	—	—	—	—	3,664	812	4,476
Consumer	—	—	—	—	4,903	—	4,903
Total	$ 2,179	$ —	$ —	$ 2,179	$ 101,198	$ 812	$ 104,189

	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, 2018:							
Residential real estate	$ —	$ —	$ —	$ —	$ 27,204	$ —	$ 27,204
Multi-family real estate	—	—	—	—	8,195	—	8,195
Commercial real estate	—	—	—	—	33,591	1,380	34,971
Land and construction	—	—	—	—	3,661	—	3,661
Commercial	—	—	—	—	4,997	—	4,997
Consumer	—	—	—	—	260	—	260
Total	$ —	$ —	$ —	$ —	$ 77,908	$ 1,380	$ 79,288

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

	At December 31, 2019			At December 31, 2018		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial real estate	$ 2,206	$ 2,206	—	$ 2,259	$ 2,259	$ —
Commercial	—	—	—	1,114	1,114	—
With related allowance recorded:						
Residential real estate	944	944	258	954	954	268
Commercial real estate	—	—	—	1,602	1,602	162
Commercial	812	812	531	814	814	814
Total						
Residential real estate	$ 944	$ 944	$ 258	$ 954	$ 954	$ 268
Commercial real estate	$ 2,206	$ 2,206	$ —	$ 3,861	$ 3,861	$ 162
Commercial	$ 812	$ 812	$ 531	$ 1,928	$ 1,928	$ 814
Total	$ 3,962	$ 3,962	$ 789	$ 6,743	$ 6,743	$ 1,244

(continued)

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

	For the Year Ended December 31,					
	2019			2018		
	Average Recorded Investment	Interest Income Recognized	Interest Income Received	Average Recorded Investment	Interest Income Recognized	Interest Income Received
Residential real estate	$ 949	$ 75	$ 69	$ 981	$ 76	$ 76
Commercial real estate	$ 2,672	$ 115	$ 113	$ 677	$ 25	$ 25
Commercial	$ 1,208	$ 43	$ 48	$ 1,638	$ 86	$ 86
Total	$ 4,829	$ 233	$ 230	$ 3,296	$ 187	$ 187

The restructuring of a loan constitutes a troubled debt restructuring ("TDR") if the creditor grants a concession to the debtor that it would not otherwise consider in the normal course of business. A concession may include an extension of repayment terms which would not normally be granted, a reduction in interest rate or the forgiveness of principal and/or accrued interest. All TDRs are evaluated individually for impairment on a quarterly basis as part of the allowance for loan losses calculation. TDRs entered into during the year ended December 31, 2019 were as follows (in thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Modification Outstanding Recorded Investment
Troubled Debt Restructurings -				
Modified payment schedule				
Commercial	2	$ 812	$ 812	$ 812

At December 31, 2019, the Company has $812,000 in loans identified as TDRs. There were no TDRs entered into during the past 12 months that subsequently defaulted during the years ended December 31, 2019 and 2018.

(4) Premises and Equipment

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

	At December 31,	
	2019	2018
Land	$ 426	$ 1,171
Buildings and improvements	654	2,123
Furniture, fixtures and equipment	664	684
Leasehold improvements	367	127
Total, at cost	2,111	4,105
Less accumulated depreciation and amortization	(722)	(1,437)
Premises and equipment, net	$ 1,389	$ 2,668

The Company sold one of its branch locations to a related party. The related party is a significant stockholder. The sale was completed in November 2019 for $1,400,000. The Company financed $1,050,000 of the total sales price. In connection with the sale, the Company recorded a loss in the consolidated statement of operations of $215,000 in November 2019.

The Company entered into an operating lease agreement for the purpose of relocating the aforementioned branch. The lease for the new location commenced during September 2019.

In November 2019, the Company entered into an agreement to sell one of its branch locations for $1,275,000. The agreement provides for a due diligence period of ninety days with an option to extend this period for up to an additional two hundred ten days.

(continued)

(5) ***Leases.*** We adopted ASU 2016-02, Leases on January 1, 2019, which initially resulted in the recognition of one operating lease on the consolidated balance sheet in 2019 and forward. See Note 1 – Recent Pronouncements for more information on the adoption of the ASU. We determine if a contract contains a lease at inception and recognize operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments at the adoption date. Accordingly, the Company recognized an additional operating lease right-of-use asset and operating lease liability that amounted to $863,000. As our leases do not provide implicit rates, we use our incremental borrowing rate based on the information available at the adoption date in determining the present value of future payments. Lease agreements that have lease and non-lease components, are accounted for as a single lease component. Lease expense is recognized on a straight-line basis over the lease term.

The Company's operating lease obligation is for two of the Company's branch locations. Our leases have a weighted-average remaining lease term of approximately 8.4 years and do not offer options to extend the leases. The components of lease expense and other lease information are as follows (in thousands):

	For the year ended December 31,	
	2019	**2018**
Operating lease cost	$ 99	$ 90
Cash paid for amounts included in measurement of lease liabilities	$ 93	$ N/A

N/A – Not applicable during 2018. The Company adopted ASU 2016-02 Leases on January 1, 2019.

	At December 31, 2019
Operating lease right-of-use assets	$ 1,055
Operating lease liabilities	$ 1,061
Weighted-average remaining lease term	8.4 years
Weighted-average discount rate	2.1%

Future minimum lease payments under non-cancellable leases, reconciled to our discounted operating lease liabilities are as follows (in thousands):

	At December 31, 2019
2020	$ 158
2021	$ 163
2022	$ 161
2023	$ 92
2024	$ 94
Thereafter	$ 488
Total future minimum lease payments	$ 1,156
Less imputed interest	$ (95)
Total operating lease liability	$ 1,061

(6) Deposits

The aggregate amount of time deposits with a minimum denomination of $250,000 was approximately $4.9 and $2.7 million at December 31, 2019 and 2018, respectively.

A schedule of maturities of time deposits at December 31, 2019 follows (in thousands):

Year Ending December 31,		Amount
2020	$	32,403
2021		1,548
2022		924
2023		237
2024		240
	$	35,352

(7) Federal Home Loan Bank Advances, Other Available Credit 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, 2019		2018	
2019	1.60 - 2.65%	$	—	$	19,600
2021	1.68%		5,000		5,000
2024	1.96%		4,000		—
2029	1.69%		4,000		—
		$	13,000	$	24,600

At December 31, 2019, one FHLB advance in the amount of $5.0 million had a fixed interest rate, and two FHLB Advances were structured advances with potential calls on a quarterly basis.

At December 31, 2019, the FHLB advances were collateralized by a blanket lien requiring the Company to maintain certain first mortgage loans as pledged collateral. The Company has remaining credit availability of $16.6 million which can be used if additional collateral is pledged. At December 31, 2019, the Company had loans pledged with a carrying value of $33.8 million as collateral for FHLB advances.

At December 31, 2019, the Company also had lines of credit amounting to $9.5 million with four correspondent banks to purchase federal funds. The Company also has a line of credit with the Federal Reserve Bank under which the Company may draw up to $350,000. The line is secured by $360,000 in securities. There were no federal funds purchased outstanding at December 31, 2019. There were $560,000 of federal funds purchased outstanding at December 31, 2018.

Junior Subordinated Debenture. In 2004, the Company formed OptimumBank Capital Trust I (the "Trust") for the purposes of raising capital for the Bank through the sale of trust preferred securities. At that time, the Trust raised $5,155,000 through the sale of 5,000 trust preferred securities (the "Trust Preferred Securities") to a third party investor and the issuance of 155 common trust securities to the Company.

The Trust utilized the proceeds of $5,155,000 to purchase a junior subordinated debenture from the Company (the "Junior Subordinated Debenture"). Under the Junior Subordinated Debenture, the Company is required to make interest payments on a periodic basis and to pay the outstanding principal amount plus accrued interest on October 7, 2034. The interest rate was fixed at 6.40% for the first five years, and thereafter, the coupon rate floats quarterly at the three-month LIBOR rate plus 2.45% (4.32% at December 31, 2019). The Junior Subordinated Debenture is redeemable in certain circumstances. The terms of the Debenture allow the Company to defer payments of interest on the Junior Subordinated Debenture by extending the interest payment period at any time during the term of the Junior Subordinated Debenture for up to twenty consecutive quarterly periods.

Beginning in 2010, the Company exercised its right to defer payment of interest on the Debenture. The Company has deferred interest payments with respect to the Debenture for the maximum allowable twenty consecutive quarterly payments. The Trustee for the Debenture and the beneficial owners of the Debenture can accelerate the outstanding principal balance plus accrued and unpaid interest, as a result of this default. The Company has been in default under the Junior Subordinated Debenture since 2015 due to its failure to make required interest payments. To date, neither the trustee nor the holders of the Trust Preferred Securities have accelerated the outstanding balance of the Junior Subordinated Debenture.

In May 2018, Preferred Shares, LLC (the "Purchaser") acquired all 5,000 of the Trust Preferred Securities from a third party. The Purchaser is an affiliate of Moishe Gubin, a director of the Company. The Purchaser has subsequently sold or transferred 2,575 of the Trust Preferred Securities to third parties.

During the third quarter of 2018, the holders of 694 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 301,778 shares of the Company's common stock. These shares were issued at a value of $3.00. In December 2019, the holders of an additional 1,881 Trust Preferred Securities agreed to transfer these Trust Preferred Securities to the Company in exchange for 924,395 shares of the Company's common stock pursuant to a tender offer made by the Company. These shares were issued at a value of $2.86.

For accounting purposes, the Trust Preferred Securities acquired by the Company have been cancelled. As a result, in 2018, the Company cancelled $694,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $211,000, and increased its stockholders' equity by the same amount. In 2019, the Company cancelled $1,881,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $763,000, and increased stockholders' equity by the same amount.

The Company's total acquisition of 2,575 Trust Preferred Securities in 2018 and 2019 was recorded as a principal and accrued interest reduction associated with the Junior Subordinated Debenture. The remaining principal owed by the Company in connection with the Junior Subordinated Debenture is $2,580,000 and $4,461,000 at December 31, 2019 and 2018, respectively. The remaining accrued interest owed by the Company associated with the Junior Subordinated Debenture is $995,000 and $1,475,000 at December 31, 2019 and 2018, respectively, is presented on the accompanying consolidated balance sheet under the caption "other liabilities".

The outstanding 2,425 Trust Preferred Securities continue to be in default. However, the Purchaser, as the owner of all of the outstanding Trust Preferred Securities, has provided the Company with written representation not to accelerate the principal and accrued interest amounts due under the Junior Subordinated Debenture within the next twelve months from the date this Annual Report, Form 10-K as of and for the year ended December 31, 2019, is filed with the Securities and Exchange Commission.

The Company is planning to acquire additional Trust Preferred Securities in 2020 in exchange for shares of its common stock, although it has not yet entered into any agreement or commitment with respect to such an exchange.

(continued)

(8) Financial Instruments

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

	At December 31, 2019			At December 31, 2018		
	Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value	Level
Financial assets:						
Cash and cash equivalents	$ 8,934	$ 8,934	1	$ 7,983	$ 7,983	1
Securities available for sale	5,409	5,409	2	2,359	2,359	2
Securities held-to-maturity	5,806	5,986	2	7,139	7,175	2
Loans	102,233	102,060	3	77,200	77,062	3
Federal Home Loan Bank stock	642	642	3	1,132	1,132	3
Accrued interest receivable	432	432	3	314	314	3
Financial liabilities:						
Deposit liabilities	101,372	101,256	3	62,378	62,243	3
Federal Home Loan Bank advances	13,000	13,137	3	24,600	24,437	3
Junior subordinated debenture	2,580	N/A(1)	3	4,461	N/A(1)	3
Federal funds purchased	—	—	3	560	560	3
Off-balance sheet financial instruments	—	—	3	—	—	3

(1) The Company is unable to determine value based on significant unobservable inputs required in the calculation. Refer to Note 6 for further information.

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, unused lines of credit, and standby letters of 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.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit to customers is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments. Standby letters of credit generally have expiration dates within one year.

Commitments to extend credit, unused lines of credit, and standby letters of credit typically result in loans with a market interest rate when funded. A summary of the contractual amounts of the Company's financial instruments with off-balance-sheet risk at December 31, 2019 follows (in thousands):

Commitments to extend credit	$ 2,200
Unused lines of credit	$ 2,020
Standby letters of credit	$ 1,550

(continued)

(9) Income Taxes

Income tax benefit consisted of the following (in thousands):

	Year Ended December 31, 2019	2018
Current:		
Federal	$ —	$ —
State	—	—
Total Current	—	—
Deferred:		
Federal	(240)	182
State	(50)	38
Change in Valuation Allowance	238	(220)
Total Deferred	(52)	—
Total	$ (52)	$ —

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, 2019 Amount	2019 % of Pretax Loss	2018 Amount	2018 % of Pretax Loss
Income tax benefit at statutory rate	$ (242)	21%	$ 167	21.00%
Increase (decrease) resulting from:				
State taxes, net of Federal tax benefit	(50)	4.3%	38	4.77%
Other permanent differences	2	(0.2)%	15	1.88%
Change in valuation allowance	238	(20.7)%	(220)	(27.65)
	$ (52)	4.4%	$ —	—

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):

	At December 31, 2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 4299	$ 3,926
Premises and equipment	65	70
Nonaccrual loan interest	51	77
Lease Liability	269	—
Unrealized loss on available for sale securities	68	111
Other	1	54
Gross deferred tax assets	4,753	4,238
Less: Valuation allowance	3,810	3,572
Net deferred tax assets	943	666
Deferred tax liabilities:		
Allowance for loan losses	(541)	(521)
Right of use lease assets	(267)	—
Loan costs	(67)	(34)
Total deferred tax liabilities	(875)	(555)
Net deferred tax asset	$ 68	$ 111

During the years ended December 31, 2019 and 2018, 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, 2019, the Company had net operating loss carryforwards of approximately $16.6 million for Federal tax purposes and $16.6 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 Section 382 limitations.

(continued)

(9) Income Taxes, Continued

The Company files U.S. and Florida income tax returns. The Company is no longer subject to U.S. Federal or state income tax examinations by taxing authorities for years before 2016.

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. The Company does not expect a change in unrecognized tax benefits in the next year.

(10) Related Party Transactions

The Company has entered into transactions with its executive officers, directors and their affiliates in the ordinary course of business.

During 2019, the Company incurred approximately $63,000 in legal fees payable to a law firm owned by a director.

At December 31, 2019 and 2018, related parties had approximately $828,000 and $1,147,000, respectively, on deposit with the Company.

At December 31, 2019, all of the outstanding Trust Preferred Securities were held by a company affiliated with a director of the Company.

There were no loans to related parties as of December 31, 2019 or 2018.

As disclosed in Note 4, the Company sold one of its branch locations to a related party.

(11) Stock-Based Compensation

The Company is authorized to grant stock options, stock grants and other forms of equity-based compensation under its 2011 Equity Incentive Plan as amended (the “2011 Plan”) and its 2018 Equity Incentive Plan (the “2018 Plan”). Both plans have been approved by shareholders. The Company is authorized to issue up to 210,000 shares of common stock under the 2011 Plan of which all have been issued, and up to 250,000 shares of common stock under the 2018 Plan, of which 157,190 have been issued, and 92,810 shares remain available for grant.

In 2018, the Company elected to treat the sale of 20,814 shares of common stock to a director of the Company, and the issuance of 79,186 shares of common stock in exchange for 7 shares of the Company’s preferred stock held by a director in April 2018, as equity-compensation under the 2018 Plan. Please refer to the Company’s Forms 8-K filed with the Securities and Exchange Commission on November 16, 2018 and January 10, 2019 for further details.

During the year ended December 31, 2017, the Company accrued compensation expense of $8,858 with respect to 2,821 shares to be issued to directors at a value of $3.14 per share on account of director’s fees accrued during the first quarter of 2017. These shares were issued in 2018.

During the year ended December 31, 2018, the Company accrued compensation expense of $200,000 with respect to 36,101 shares issued to a director for services performed in 2018. The Company had previously accrued compensation expense of $200,000 in 2016 and 2017 for services performed. The Company had previously agreed to issue 105,820 shares to this director for services performed in 2016 and 2017. All shares were issued in 2018.

During the year ended December 31, 2019, the Company recorded compensation expense of $201,000 with respect to 58,309 shares issued to a director for services performed.

(12) Regulatory Matters. The Bank is subject to various regulatory capital requirements administered by the bank regulatory 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 the 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)

(12) Regulatory Matters, Continued

The Bank is subject to the Basel III capital level threshold requirements under the Prompt Corrective Action regulations with full compliance phased in over a multi-year schedule. These new regulations were designed to ensure that banks maintain strong capital positions even in the event of severe economic downturns or unforeseen losses.

The Bank is subject to the capital conservation buffer rules which place limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers. In order to avoid these limitations, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements. As of December 31, 2019, the Bank's capital conservation buffer exceeds the minimum requirements of 2.50%.

Written Agreement between the Company and the Federal Reserve Bank of Atlanta ("FRB"). In June 2010, the Company and the FRB entered into a Written Agreement with respect to certain aspects of the operation and management of the Company. On September 11, 2019, the FRB notified the Company that the Written Agreement was terminated based upon the improvements noted at the June 7, 2019 off-site review.

Memorandum of Understanding between the Bank, the FDIC and Florida Office of Financial Regulation. In August 2018, the Bank agreed to the issuance of a Memorandum of Understanding (the "MOU"), with the FDIC and Florida Office of Financial Regulation. The MOU required the Bank to take certain measures to improve its safety and soundness. By agreeing to the MOU, the Bank was released from an earlier Consent Order that had become effective in 2016. In June 2019, the MOU was terminated by FDIC and Florida Office of Financial Regulation due to the progress made by the Bank in addressing the requirements of the MOU.

The following table shows the Bank's capital amounts and ratios and regulatory thresholds at December 31, 2019 and 2018 (dollars in thousands):

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
As of December 31, 2019:						
Total Capital to Risk-Weighted Assets	$ 12,212	12.03%	$ 8,124	8.00%	$ 10,154	10.00%
Tier I Capital to Risk-Weighted Assets	10,934	10.77	6,093	6.00	8,124	8.00
Common equity Tier I capital to Risk-Weighted Assets	10,934	10.77	4,569	4.50	6,600	6.50
Tier I Capital to Total Assets	10,934	8.73	5,010	4.00	6,263	5.00
As of December 31, 2018:						
Total Capital to Risk-Weighted Assets	$ 12,155	15.86%	$ 6,132	8.00%	$ 7,665	10.00%
Tier I Capital to Risk-Weighted Assets	11,181	14.59	4,599	6.00	6,132	8.00
Common equity Tier I capital to Risk-Weighted Assets	11,181	14.59	3,449	4.50	4,983	6.50
Tier I Capital to Total Assets	11,181	11.68	3,828	4.00	4,785	5.00

(13) ***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 Company. The amount of cash dividends that may be paid by the Bank to the Company is based on the Bank's net earnings of the current year combined with the Bank's retained earnings of the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Company must consider additional factors such as the amount of current period net earnings, liquidity, asset quality, capital adequacy and economic conditions. It is likely that these factors would further limit the amount of dividends which the Company could declare. 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.

(14) ***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.

(15) ***Retirement Plans*****.**

The Company has 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 years ended December 31, 2019 or 2018.

(continued)

(16) 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 on a nonrecurring basis are as follows (in thousands):

	At December 31, 2019					
	Fair Value	Level 1	Level 2	Level 3	Total Losses	Losses Recorded in Operations For the Year Ended December 31, 2019
Residential real estate	$ 686	$ —	$ —	$ 686	$ 258	$ —

	At December 31, 2018					
	Fair Value	Level 1	Level 2	Level 3	Total Losses	Losses Recorded in Operations For the Year Ended December 31, 2018
Residential real estate	$ 686	$ —	$ —	$ 686	$ 268	$ —
Commercial real estate	1,312	—	—	1,312	71	—
	1,998	—	—	1,998	339	—

(17) Company Unconsolidated Financial Information

The Company's unconsolidated financial information as of December 31, 2019 and 2018 and for the years then ended follows (in thousands):

Condensed Balance Sheets

	At December 31, 2019	At December 31, 2018
Assets		
Cash	$ 10	$ 245
Investment in subsidiary	10,730	10,851
Other assets	167	198
Total assets	$ 10,907	$ 11,294
Liabilities and Stockholders' Equity		
Other liabilities	$ 1,120	$ 1,527
Junior subordinated debenture	2,580	4,461
Stockholders' equity	7,207	5,306
Total liabilities and stockholders' equity	$ 10,907	$ 11,294

Condensed Statements of Operations

	Year Ended December 31, 2019	Year Ended December 31, 2018
(Loss) earnings of subsidiary	$ (246)	$ 1,604
Interest expense	(294)	(298)
Other expense	(560)	(510)
Net (loss) earnings	$ (1,100)	$ 796

Condensed Statements of Cash Flows

	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash flows from operating activities:		
Net (loss) earnings	$ (1,100)	$ 796
Adjustments to reconcile net loss (earnings) to net cash used in operating activities:		
Common stock issued as compensation for services	201	—
Equity in undistributed loss (earnings) of subsidiary	246	(1,604)
Increase in other liabilities	387	475
Decrease in other assets	31	2
Net cash used in operating activities	(235)	(331)
Cash flow from investing activities	—	—
Cash flow from financing activities –		
Proceeds from sale of common stock	—	525
Net (decrease) increase in cash	(235)	194
Cash at beginning of the year	245	51
Cash at end of year	$ 10	$ 245
Noncash transactions:		

Change in accumulated other comprehensive loss of subsidiary, net change in unrealized (loss) on debt securities available for sale, net of income taxes	$ 125	$ (80)
Reclassification of stock compensation from other liabilities to common stock	—	615
Common stock issued and reclassified from other liabilities	31	—
Issuance of common stock in exchange for Trust Preferred Securities	2,644	905

(18) Preferred Stock

Prior to 2016, the Company issued 7 shares of Series A Preferred Stock (the "Series A Preferred") at a price of $25,000 per share to a director. Each share of the Series A Preferred had an initial liquidation preference of $25,000 per share and was entitled to cumulative dividends at the rate of 10% per annum, provided that no dividends would be declared, paid or set aside for payment to the extent such act would cause the Company to fail to comply with any applicable regulatory requirements. In April 2018, the Company issued 79,186 shares of Common Stock in exchange for the 7 outstanding shares of the Series A Preferred.

(19) Bank Secrecy Act ("BSA") Lookback Review

Under the terms of the Consent Order and the MOU, the Bank was ordered to perform a BSA lookback review by the FDIC. The review has been completed in 2019 with no negative results.

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 maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon 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 consolidated 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, 2019. In making this assessment, the Company used the criteria set forth in *Internal Control-Integrated Framework (2013)* 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, 2019.

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 year ended December 31, 2019 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 Principal 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 2020 Annual Meeting of Stockholders, which will be filed within 120 days of the end of its fiscal year ended December 31, 2019 (the "2020 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 2020 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

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 2020 Proxy Statement and is incorporated herein by reference.

The Company has one compensation plans under which shares of its common stock were issuable at December 31, 2019. The plan is the 2018 Equity Compensation Plan, previously approved by its shareholders. The following table sets forth information as of December 31, 2019 with respect to the number of shares of the Company's common stock issuable pursuant to these plans.

Equity Compensation Plan Information

The following table provides information generally as of December 31, 2019, 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 year 2019.

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 the equity compensation plans
Equity compensation plans approved by stockholders	—	$ —	92,810

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 2020 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services will be included in the 2020 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 Annual Report on Form 10-K filed with the SEC on March 30, 2012)
10.5	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)
10.6	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)
10.98	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)
10.9	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 Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Principal Executive Officer under 18 U.S.C. Section 1350
32.2	Certification of Principal Financial Officer under 18 U.S.C. Section 1350

EXHIBIT INDEX

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

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act, the registrant has caused this 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 25 day of March, 2020.

OPTIMUMBANK HOLDINGS, INC.

/s/ Timothy Terry
Timothy Terry
Principal Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the dates indicated.

Signature	Title	Date
/s/ Timothy Terry Timothy Terry	Principal Executive Officer	March 25, 2020
/s/ Joel Klein Joel Klein	Principal Financial Officer	March 25, 2020
/s/ H Fai Chan H Fai Chan	Director	March 25, 2020
/s/ Moishe Gubin Moishe Gubin	Director	March 25, 2020
/s/ Martin Schmidt Martin Schmidt	Director	March 25, 2020
/s/ Joel Klein Joel Klein	Director	March 25, 2020
/s/ Avi M. Zwelling Avi M. Zwelling	Director	March 25, 2020
/s/ Jeffry Wagner Jeffry Wagner	Director	March 25, 2020

EXHIBIT 31.1

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
REQUIRED BY RULE 13A-14(A)/15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, certify that:

1. I have reviewed this report on Form 10-K of OptimumBank Holdings, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within that entity, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Timothy Terry

Timothy Terry
Principal Executive Officer
Date: March 25, 2020

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
REQUIRED BY RULE 13A-14(A)/15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, certify that:

1. I have reviewed this report on Form 10-K of OptimumBank Holdings, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within that entity, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joel Klein

Joel Klein
Principal Financial Officer
Date: March 25, 2020

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of OptimumBank Holdings, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the “Report”), I, as the Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Timothy Terry

Timothy Terry
Principal Executive Officer
Date: March 25, 2020

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of OptimumBank Holdings, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the “Report”), I, as the Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Joel Klein
Joel Klein
Principal Financial Officer
Date: March 25, 2020