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

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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

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 ☒

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

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

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

Indicate by check mark 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 ☒	Smaller reporting company ☒
	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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant (3,208,236 shares) on June 30, 2021, was approximately $15,463,698, computed by reference to the closing market price at $4.82 per share as of June 30, 2021. 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 8, 2022 was 4,897,503 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2022 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 two 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, 2021, the Company had total assets of $351.8 million, net loans of $247.9 million, total deposits of $292.4 million and stockholders’ equity of $38.5 million. During 2021, the Company had a net income of $6.3 million.

Junior Subordinated Debenture

Junior Subordinated Debenture.

In 2004, the Company formed OptimumBank Capital Trust I (the “Trust”) for the purpose of raising capital 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 third-party investors 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”).

The outstanding principal amount of the Junior Subordinated Debenture at December 31, 2020, was $2,068,000, During the first nine months of 2021, the Company acquired all of the outstanding Trust Preferred Securities and paid all accrued interest in exchange for 700,614 shares of the Company’s common stock. As a result, the Company’s obligations with respect to the Trust Preferred Securities and the Junior Subordinated Debenture have been fully satisfied.

Branch Sale

During the fourth quarter of 2021, the Bank sold its Plantation branch location to a third-party. The sale was completed in November 2021 for $1,081,000. In connection with the sale, the Company recorded a gain in the consolidated statements of operations of $340,000.

Banking Products

The Bank’s revenues are primarily derived from interest and fees received in connection with, real estate and other loans, interest from securities and short-term investments, and service charges on payment transactions. The principal sources of funds for the Bank’s lending activities are deposits, borrowings, repayment of loans, and the repayment, or maturity of 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.

Operating and Business Strategy

The Company's continuing goal is for the Bank to become one of the leading community banking organizations in Broward County, Florida through steady 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 two branch banking offices in Broward County;

- Concentrating on real estate, commercial and consumer lending activities by originating fixed and variable 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:

- Increasing and Diversifying Loan Originations. 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.

- Lowering the Cost of Deposits. Management is seeking to change the Bank's deposit mix by replacing higher cost interest bearing time deposits with non-interest-bearing demand deposits.

- Increasing Capital Ratios. 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 primary market area consists of the tri-county area of Broward, Miami-Dade and Palm Beach counties, and secondarily throughout the State of Florida. The Bank's net loans at December 31, 2021 were $247.9 million, or 70% of total assets. During 2021 net loans increased by $95.4 million. Loan balances increased by $29.4 million in multi-family real estate loans, $55.1 million in commercial real estate loans and $17.1 million in consumer loans. 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 three major areas: residential, multi-family real estate, and commercial real estate loans. As of December 31, 2021, 85% of the loan portfolio consisted of loans secured by mortgages on real estate, of which approximately 51% of the total loan portfolio was secured by commercial real estate 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 variable rate mortgages which adjust annually after the initial three to five-year period of the loan. The Bank's fixed rate loans generally are for terms of five years or less, and are repayable in monthly instalments 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 most 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 certificates of deposit under $250,000 to be core deposits. These accounts comprised approximately 99.4% of the Bank's total deposits at December 31, 2021. Approximately 4.5% of the deposits at December 31, 2021 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 0.6% of the Bank's total deposits at December 31, 2021. 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. During 2021 total deposits increased by $101.7 million. The increase in deposit balances primarily consisted of increases of $65.8 million in non-interest bearing demand deposits and $44.4 million in savings, NOW and money-market deposits. Time deposits decreased by $8.5 million during 2021.

Investments

The Bank's investment securities portfolio was approximately $35.4 and $22.3 million at December 31, 2021 and 2020, respectively, representing 10% and 9.5% of its total assets. At December 31, 2021, 52% 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 in 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 larger 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.

Human Capital

The Bank is committed to establishing personal relationships with its customers and providing personalized banking services that meet their specific needs. The Bank’s employees are critical to achieving this goal. It is therefore crucial that the Bank continues to attract and retain experienced and skilled employees.

As part of these efforts, the Bank seeks to offer competitive compensation and benefits, maintain a community in which all employees are empowered to perform their duties to the best of their abilities, and give employees the opportunity to contribute to the local community.

As of December 31, 2021, the Bank had 38 full-time employees, including executive officers. These employees are not represented by a collective bargaining unit. The Bank considers its relations with its employees to be good.

Compensation and Benefits Program. The Bank’s compensation program is designed to attract and reward talented individuals who possess the skills necessary to support our business objectives, assist in the achievement of our strategic goals and create long-term value for our shareholders. The Bank provides its employees with compensation packages that include base salary and annual incentive bonuses. The Bank believes that its compensation program provides fair and competitive compensation and aligns associate and shareowner interests, including by incentivizing business and individual performance and integrating compensation with our business plans. In addition to cash compensation, the Bank also offers employees benefits such as life and health insurance, paid time off, paid parental leave and a 401(k) plan.

Diversity and Inclusion. The Bank believes that an equitable and inclusive environment produces more creative solutions, results in better services and is crucial to our efforts to attract and retain key talent. The Bank strives to promote inclusion through our corporate values of integrity, advocacy, partnership, relationships, community, and personalized service. The Bank is focused on building an inclusive culture through a variety of diversity and inclusion initiatives, including related to internal promotions and hiring practices.

Community Involvement. The Bank aims to give back to the local community, and believes that this commitment helps in our efforts to attract and retain employees. The Bank encourages its employees to volunteer with local service organizations and philanthropic groups.

Health and Safety. The success of the Bank’s business is fundamentally connected to the well-being of its employees. Accordingly, the Bank is committed to the health, safety and the wellness of its employees. The Bank provides employees and their families with access to a variety of flexible and convenient health and the welfare programs, including benefits that support their physical and mental health by providing tools and resources to help them improve or maintain their health status; and that offer choice where possible so they can customize their benefits to meet their needs and the needs of their families. In response to the COVID-19 pandemic, the Bank implemented significant operating environment changes that the Bank determined were in the best interest of its employees, as the well as the local community, and which comply with government regulations. This includes having most of our employees work from home, while implementing additional safety measures for employees continuing critical on-site work.

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 banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the 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 the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts, and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations. The final rule became effective on January 1, 2020 and was elected by the Bank. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying community banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8.5% as of December 31, 2021 and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the Bank maintains a leverage ratio of 7.5% as of December 31, 2021 and 8% for calendar year 2022 and beyond. Under the final rule, an eligible community banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction.

Management believes, as of December 31, 2021, that the Bank met all capital adequacy requirements to which it was subject. The Bank's actual capital amounts and percentages are presented in the table ($'s in thousands):

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	**%**	**Amount**	**%**
As of December 31, 2021:				
Tier I Capital to Total Assets	$ 35,338	10.64%	$ 28,235	8.5%
As of December 31, 2020:				
Tier I Capital to Total Assets	$ 19,261	9%	$ 17,116	8%

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. 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 premium 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 were 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 strengthened the existing limits on a depository institution's credit exposure to one borrower. The Dodd-Frank Act expanded 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." The Bank has 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(b) 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 the 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.

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 $9.6 million, provided the unsecured portion does not exceed approximately $5.7 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 following:

- 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 (the "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. 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 one branch office in Broward County, Florida. The following table sets forth information with respect to the Bank's main office and branch office as of December 31, 2021.

Location	Year Facility Opened	Facility Status
Executive Office and Ft. Lauderdale Branch Office: 2929 East Commercial Boulevard Suite 101 and 303 Fort Lauderdale, Florida 33308	2019	Leased
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 in connection with 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 888 record holders of its common stock as of December 31, 2021.

During the first and second quarter of 2021, the Company issued a total of 360 shares of preferred stock to third parties for an aggregate purchase price of $9,000,000. The issuance of the shares in these transactions were exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933 as a transaction by an issuer not involving a public offering. The Company used the proceeds to make capital contributions to the Bank in order to increase its regulatory capital and allow the Bank to remain in compliance with required regulatory capital ratios.

During the second and third quarters of 2021, the Company issued 809,100 shares of common stock to unrelated third parties, for an aggregate purchase price of $3.6 million. The Company used the proceeds for general working capital purposes, including capital contributions to the Bank to pay for operating expenses and making loans. The capital contributions to the Bank increased its regulatory capital and allows the Bank to remain in compliance with required regulatory capital ratios. 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 quarters of 2021, the Company issued 689,572 shares of common stock in exchange for 2,068 Trust Preferred Securities. See Note 1 of the Company’s consolidated 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.

During the fourth quarter of 2021, the Company issued 62,112 shares of common stock to one of the Company’s directors and an executive officer as compensation for services performed. These shares had a value of $199,000 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.

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. 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. [Reserved]

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

General

Critical Accounting Policies

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

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

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

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

During the years ended December 31, 2021 and 2020, the Company assessed its earnings history and trend over the past year and its estimate of future earnings. In 2021, the Company determined that it was more likely than not that the deferred tax assets would be realized in the near term. Accordingly, in 2021, the valuation allowance in the amount of $4 million that has been previously recorded against the net deferred tax asset for the amount not expected to be realized in the future was fully reversed.

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. As of December 31, 2021, the Bank did not have any impaired loans.

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

	At December 31,					
	2021		2020		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential real estate	$ 32,583	13%	$ 28,997	19%	$ 28,266	27%
Multi-family real estate	48,592	19	19,210	12	8,396	8
Commercial real estate	129,468	51	74,398	48	55,652	54
Land and construction	3,772	2	4,750	3	2,496	2
Commercial	14,157	6	21,849	14	4,476	4
Consumer	22,827	9	5,715	4	4,903	5
Total loans	$ 251,399	100%	$ 154,919	100%	$ 104,189	100%
(Deduct) add:						
Net deferred loan (fees) costs and premiums	(422)		(544)		53	
Allowance for loan losses	(3,075)		(1,906)		(2,009)	
Loans, net	$ 247,902		$ 152,469		$ 102,233	

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

	Year Ended December 31,		
	2021	2020	2019
Beginning balance	$ 1,906	$ 2,009	$ 2,243
Provision (credit) for loan losses	1,173	1,020	(79)
Loans charged off	(277)	(1,184)	(202)
Recoveries	273	61	47
Ending balance	$ 3,075	$ 1,906	$ 2,009

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 1.22% and 1.23% of the total loans outstanding at December 31, 2021 and 2020, 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,					
	2021		2020		2019	
	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
Residential real estate	$ 482	13%	$ 463	19%	$ 531	27%
Multi-family real estate	535	19	253	12	82	8
Commercial real estate	1535	51	884	48	624	54
Land and construction	32	2	52	3	21	2
Commercial	74	6	103	14	573	4
Consumer	417	9	151	4	152	5
Unallocated	—	—	—	—	26	—
Total allowance for loan losses	$ 3,075	100%	$ 1,906	100%	$ 2,009	100%
Allowance for loan losses as a percentage of total loans outstanding		1.22%		1.23%		1.93%

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

	At December 31,								
	2021			2020			2019		
	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:									
Commercial real estate	$ —	$ —	$ —	$ 2,193	$ 2,193	$ —	$ 2,206	$ 2,206	$ —
Commercial	—	—	—	—	—	—	—	—	—
With an allowance recorded:									
Residential real estate	—	—	—	—	—	—	944	944	258
Commercial real estate	—	—	—	—	—	—	—	—	—
Commercial	—	—	—	—	—	—	812	812	531
Total:									
Residential real estate	$ —	$ —	$ —	$ —	$ —	$ —	$ 944	$ 944	$ 258
Commercial real estate	$ —	$ —	$ —	$ 2,193	$ 2,193	$ —	$ 2,206	$ 2,206	$ —
Commercial	$ —	$ —	$ —	$ —	$ —	$ —	$ 812	$ 812	$ 531
Total	$ —	$ —	$ —	$ 2,193	$ 2,193	$ —	$ 3,962	$ 3,962	$ 789

During 2021, 2020, and 2019, the average recorded investment in impaired loans and interest income recognized and received on impaired loans were as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Average investment in impaired loans	$ 658	$ 3,344	$ 4,829
Interest income recognized on impaired loans	$ 7	$ 96	$ 233
Interest income received on a cash basis on impaired loans	$ 7	$ 89	$ 230

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, 2021, 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. As of December 31, 2021, the Bank had $18 million in borrowings outstanding from the FHLB of Atlanta to facilitate lending and manage its asset and liability structure, and remaining credit availability with the FHLB of $65.7 million. At December 31, 2021, the Bank also had lines of credit amounting to $19.5 million with five 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 $116,000. The line is secured by $118,000 in securities.

Debt Securities

The Bank's securities portfolio is comprised of SBA pool securities, mortgage-backed securities, taxable municipal 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 Bank 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 debt securities portfolio (in thousands):

	Amortized Cost	Fair Value
At December 31, 2021:		
Held-to-maturity:		
Collateralized mortgage obligations	$ 854	$ 882
Mortgage-backed Securities	186	189
Total	$ 1,040	$ 1,071
Available for sale:		
SBA Pool Securities	$ 1,097	$ 1,072
Collateralized mortgage obligations	210	217
Taxable municipal securities	16,766	16,426
Mortgage-backed Securities.	17,137	16,679
Total	$ 35,210	$ 34,394
At December 31, 2020:		
Held-to-maturity:		
Collateralized mortgage obligations	$ 2,420	$ 2,536
Mortgage-backed Securities	979	1,013
Total	$ 3,399	$ 3,549
Available for sale:		
SBA Pool Securities	$ 1,338	$ 1,297
Collateralized mortgage obligations	458	485
Taxable municipal securities	5,063	5,085
Mortgage-backed Securities.	11,984	12,026
Total	$ 18,843	$ 18,893
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
Total	$ 5,398	$ 5,409

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

	After One Year Through Five Years	After Ten Years	Total	Yield
At December 31, 2021:				
Collateralized mortgage obligation	$ —	$ 1,064	$ 1,064	0.52%
Mortgage-backed securities	—	17,323	17,323	1.57%
Taxable municipal securities	—	16,766	16,766	2.16%
SBA pool securities	—	1,097	1,097	0.26%
	$ —	$ 36,250	$ 36,250	
At December 31, 2020:				
Collateralized mortgage obligation	—	$ 2,878	$ 2,878	1.3%
Mortgage-backed securities	$ —	12,963	12,963	1.46%
Taxable municipal securities	—	5,063	5,063	2.08%
SBA pool securities	—	1,338	1,338	1.52%
	$ —	$ 22,242	$ 22,242	
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	

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.

Market Risk

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

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

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

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

Asset Liability Management

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

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

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

The following table sets forth certain information related to the Bank's interest-earning assets and interest-bearing liabilities at December 31, 2021, 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	$ 5,368	$ 22,014	$ 5,012	$ 189	$ 32,583
Multi-family real estate loans	1,327	42,775	4,490	-	48,592
Commercial real estate loans	3,762	98,488	27,218	-	129,468
Land and construction	312	3,460	-	-	3,772
Commercial	3,225	10,324	49	559	14,157
Consumer	44	18,239	-	4,544	22,827
Total loans	14,038	195,300	36,769	5,292	251,399
Securities (2)	1,072	-	1,518	32,844	35,434
Interest-bearing deposits in banks	45,289	-	-	-	45,289
Federal Home Loan Bank stock	793	-	-	-	793
Total rate-sensitive assets	61,192	195,300	38,287	38,136	332,915
Deposit accounts (3):					
Money-market deposits	121,083	-	-	-	121,083
Interest-bearing checking deposits	33,083	-	-	-	33,083
Savings deposits	936	-	-	-	936
Time deposits	11,490	1,746	-	-	13,236
Total deposits	166,592	1,746	-	-	168,338
Federal Home Loan Bank advances	-	14,000	4,000	-	18,000
Junior subordinated debenture	-	-	-	-	-
Total rate-sensitive liabilities	166,592	15,746	4,000	-	186,338
GAP (repricing differences)	$ (105,400)	$ 179,554	$ 34,287	$ 38,136	$ 146,577
Cumulative GAP	$ (105,400)	$ 74,154	$ 108,441	$ 146,577	
Cumulative GAP/total assets	(30)%	21%	31%	42%	

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. Time deposits are scheduled through the maturity dates.

The following table sets forth loan maturities by type of loan at December 31, 2021 (in thousands):

	One Year or Less	After One But Within Five Years	After Five Years	Total
Residential real estate	$ 1,401	$ 633	$ 30,549	$ 32,583
Multi-family real estate	-	1,411	47,181	48,592
Commercial real estate	-	20,346	109,122	129,468
Land and construction	-	1,569	2,203	3,772
Commercial	3,225	10,324	608	14,157
Consumer	18,283	-	4,544	22,827

Total	$ 22,909	$ 34,283	$ 194,207	$ 251,399

The following table sets forth the maturity or repricing of loans by interest type at December 31, 2021 (in thousands):

	One Year or Less	After One But Within Five Years	After Five Years	Total
Fixed interest rate	$ 2,010	$ 31,381	$ 33,329	$ 66,720
Variable interest rate	12,028	163,919	8,732	184,679
Total	$ 14,038	$ 195,300	$ 42,061	$ 251,399

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 financial instruments with off-balance sheet risk at December 31, 2021 follows (in thousands):

Commitments to extend credit	$ 11,891
Unused lines of credit	$ 11,793
Standby letters of credit	$ 4,550

The following is a summary of the Company's on-balance sheet contractual obligations at December 31, 2021 (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	$ 18,000	$ —	$ 4,000	$ 10,000	$ 4,000
Operating lease liabilities	1,840	254	374	394	818
Total	$ 19,840	$ 254	$ 4,374	$ 10,394	$ 4,818

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 $101.6 million in 2021. The increase in deposit balances primarily consisted of increases of $65.8 million in noninterest-bearing demand deposits and $44.3 million in NOW and money-market deposits. Time deposits decreased by $8.5 million during 2021.

The following table displays the distribution of the Company's deposits at December 31, 2021, 2020 and 2019 (in thousands):

	2021		2020		2019	
	Amount	% of Deposits	Amount	% of Deposits	Amount	% of Deposits
Noninterest-bearing demand deposits	$ 124,119	42.4%	$ 58,312	30.5	$ 10,545	10.4%
Interest-bearing demand deposits	33,083	11.3	27,803	14.6	6,928	6.83
Money-market deposits	121,083	41.4	82,191	43.1	48,092	47.44
Savings	936	0.3	710	0.4	455	0.45
Subtotal	279,221	95.4%	$ 169,016	88.6	$ 66,020	65.12%
Time deposits:						
0.00% – 0.99%	10,295	3.5%	$ 12,895	6.7	$ 3,407	3.36%
1.00% – 1.99%	2,183	0.8	7,987	4.2	5,172	5.11
2.00% – 2.99%	758	0.3	861	0.5	26,773	26.41
Total time deposits (1)	13,236	4.6	21,743	11.4	35,352	34.88
Total deposits	$ 292,457	100%	$ 190,759	100%	$ 101,372	100%

(1) Includes Individual Retirement Accounts (IRA's) totaling $1,207,000 and $2,000,000 at December 31, 2021 and 2020, 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, 2021 and 2020 (in thousands):

	At December 31,	
	2021	2020
Due three months or less	$ 583	$ 825
Due more than three months to six months	787	—
More than six months to one year	320	930
One to five years	—	787
Total	$ 1,690	$ 2,542

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,								
	2021			2020			2019		
	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	$ 191,561	9,756	5.09%	$ 130,704	6,413	4.91%	$ 86,867	4,693	5.4%
Securities	30,075	488	1.62%	11,722	192	1.64%	11,465	245	2.14%
Other interest-earning assets (1)	42,399	145	0.34%	16,744	105	0.63%	9,970	236	2.37%
Total interest-earning assets/interest income	264,035	10,389	3.93%	159,170	6,710	4.21%	108,302	5,174	4.78%
Cash and due from banks	19,169			11,383			2,130		
Premises and equipment	3,045			1,660			2,915		
Other assets	3,762			1,428			(983)		
Total assets	290,011			$ 173,641			$ 112,364		
Interest-bearing liabilities:									
Savings, NOW and money-market deposits	129,792	533	0.41%	$ 79,635	750	0.94%	$ 44,494	805	1.81%
Time deposits	16,970	118	0.69%	29,198	527	1.8%	30,733	698	2.27%
Borrowings (4)	20,271	334	1.74%	25,079	443	1.76%	18,142	543	2.99%
Total interest-bearing liabilities/interest expense	167,033	985	0.59%	133,912	1,720	1.28%	93,369	2,046	2.19%
Noninterest-bearing demand deposits	93,758			27,439			11,557		
Other liabilities	1,690			2,208			2,279		
Stockholders' equity	27,530			10,082			5,159		
Total liabilities and stockholders' equity	$ 290,011			$ 173,641			$ 112,364		
Net interest income		9,404			4,990			3,128	
Interest rate spread (2)			3.34%			2.93%			2.59%
Net interest margin (3)			3.56%			3.14%			2.89%
Ratio of average interest-earning assets to average interest- bearing liabilities			1.58			1.19			1.16

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 and the junior subordinated debenture.

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, 2021 versus 2020 Increases (Decreases) Due to Change In:			
	Rate	**Volume**	**Rate/Volume**	**Total**
Interest-earning assets:				
Loans	$ 244	$ 2,986	$ 113	$ 3,343
Securities	(2)	301	(3)	296
Other interest-earning assets	(48)	161	(73)	40
Total interest-earning assets	194	3,448	37	3,679
Interest-bearing liabilities:				
Savings, NOW and money-market	(423)	472	(265)	(216)
Time deposits	(325)	(221)	136	(410)
Other	(4)	(106)	1	(109)
Total interest-bearing liabilities	(752)	145	(128)	(735)
Net interest income	$ 946	$ 3,303	$ 165	$ 4,414

	Year Ended December 31, 2020 versus 2019 Increases (Decreases) Due to Change In:			
	Rate	**Volume**	**Rate/ Volume**	**Total**
Interest-earning assets:				
Loans	$ (431)	$ 2,369	$ (218)	$ 1,720
Securities	(58)	5	(2)	(55)
Other interest-earning assets	(173)	159	(118)	(132)
Total interest-earning assets	(662)	2,533	(338)	1,533
Interest-bearing liabilities:				
Savings, NOW and money-market	(386)	635	(305)	(56)
Time deposits	(144)	(35)	7	(172)
Other	(224)	210	(86)	(100)
Total interest-bearing liabilities	(754)	810	(384)	(328)
Net interest income	$ 92	$ 1,723	$ 46	$ 1,861

Financial Condition as of December 31, 2021 Compared to December 31, 2020

The Company's total assets at December 31, 2021, were $351.8 million, an increase of $116.7 million from December 31, 2020. The increase of $116.7 million in total assets primarily consisted of increases of $4.3 million in cash and cash equivalents, $13.1 million in debt securities and $95.4 million in net loans. The Company experienced growth across the various loan types due to new organic originations. The net increase in loans resulted from $29.4 million in multi-family real estate loans, $55.1 million in commercial real estate loans and $17.1 million in consumer loans.

The Company's total liabilities at December 31, 2021, were $313.4 million, an increase of $96 million from December 31, 2020. The increase of $96 million in total liabilities was mainly due to an increase of $101.7 million in total deposits and a decrease of $5 million in Federal Home Loan Bank advances.

The Company's total stockholders' equity at December 31, 2021, was $38.5 million, an increase of $20.6 million. The increase of $20.6 was principally due to the Company's issuance of shares of Series B Participating Preferred Stock for an aggregate amount of $9 million, issuance of common stock for an aggregate amount of $5.9 million and net income of $6.3 million.

At December 31, 2021, the Bank had a Tier 1 leverage ratio of 10.64%.

Junior Subordinated Debenture.

In 2004, the Company formed OptimumBank Capital Trust I (the "Trust") for the purpose of raising capital 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"). The outstanding principal amount of the Junior Subordinated Debenture at December 31, 2020, was $2,068,000.

During the year ended December 31, 2021, the Company acquired all of the outstanding Trust Preferred Securities and paid all accrued interest in exchange for 700,614 shares of the Company's common stock. These shares were issued in the following transactions:

During the first quarter of 2021, the Company issued 11,042 shares of common stock to pay approximately $41,000 of accrued interest associated with the Junior Subordinated Debenture.

During the second quarter of 2021, the Company issued 282,377 shares of common stock in exchange for 840 Trust Preferred Securities. For accounting purposes, the Trust Preferred Securities acquired by the Company were deemed to be cancelled. As a result, the Company cancelled $840,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $7,000, and increased its stockholders' equity by the same amount.

During the third quarter of 2021, the Company issued 407,195 shares of common stock in exchange for the remaining 1,228 Trust Preferred Securities. For accounting purposes, the Trust Preferred Securities acquired by the Company were deemed to be cancelled. As a result, the Company cancelled $1,221,000 in principal amount of the Trust Preferred Securities and increased its stockholders' equity by the same amount.

Results of Operations for Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

(dollars in thousands)	Years Ended December 31, 2021	Years Ended December 31, 2020	Increase / (Decrease) Amount	Increase / (Decrease) Percentage
Total interest income	$ 10,389	$ 6,710	$ 3,679	55%
Total interest expense	985	1,720	(735)	(43)%
Net interest income	9,404	4,990	4,414	88%
Provision for loan losses	1,173	1,020	153	15%
Net interest income after provision for loan losses	8,231	3,970	4,261	107%
Total noninterest income	1,774	294	1,480	503%
Total noninterest expenses	6,936	5,046	1,890	37%
Net income (loss) before income tax benefit	3,069	(782)	3,851	492%
Income tax benefit	(3,227)	-	(3,227)	100%
Net income (loss)	$ 6,296	$ (782)	$ 7,078	905%
Net income (loss) per share - Basic and diluted	$ 1.61	$ (0.27)		

Net Income (Loss). The Company had net income of $6.3 million for the year ended December 31, 2021 compared to a net loss of ($782,000) for the year ended December 31, 2020. The Company recorded a provision for loan losses amounting to $1,173,000 during year ended December 31, 2021, which was largely due to the growth in the loan portfolio of $95.6 million. The Company recorded a provision for loan losses amounting to $1,020,000 during the year ended December 31, 2020.

Interest Income. Interest income increased by $3.7 million to $10.4 million for the year ended December 31, 2021 from $6.7 million for the year ended December 31, 2020, primarily due to an increase in loan volume.

Interest Expense. Interest expense on deposits and borrowings decreased by $735,000 to $985,000 for the year ended December 31, 2021 compared to the prior year. The decrease in interest expense was caused by a reduction in interest rates paid on deposits and borrowings offset by volume increases in deposits and borrowings.

Provision for Loan Losses. The provision for losses during the year ended December 31, 2021 amounted to $1,173,000. The provision for loan losses is charged to operations in order to bring the total allowance for loan losses to a level deemed appropriate by management to absorb losses inherent in the portfolio. 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 $3.1 million or 1.22% of loans outstanding at December 31, 2021, compared to $1.9 million or 1.23% of loans outstanding at December 31, 2020.

Noninterest Income. Total noninterest income increased by $1,480,000 for the year ended December 31, 2021, from $294,000 for the year ended December 31, 2020. The increase is primarily related to service charges on deposit payment transactions.

Noninterest Expenses. Total noninterest expenses increased $1,890,000 to $6.9 million for the year ended December 31, 2021, compared to $5 million for the year ended December 31, 2020 primarily due to an increase in salaries and employee benefits and data processing.

COVID-19 Related Loan Data

Paycheck Protection Program ("PPP"). As of December 31, 2021, the Bank had originated 502 PPP loans for a total dollar amount of $37.4 million. These loans are 100% guaranteed by the Small Business Administration (the "SBA"). At December 31, 2021, outstanding amount of these PPP loans was approximately $10 million.

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 Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of OptimumBank Holdings, Inc. and subsidiary (the "Company") as of December 31, 2021 and 2020 and the related consolidated statements of operations, comprehensive income (loss), 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, 2021 and 2020, 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of General Reserve Portion of the Allowance for Loan Losses - Evaluation of the Qualitative Adjustments

As described in Notes 1 and 3 to the consolidated financial statements, management determines the general reserve portion of the allowance for loan losses using actual historical loss experience for each individual loan category, as well as evaluating whether qualitative adjustments are necessary. As of December 31, 2021, the allowance for loan losses was $3.1 million which consists of two components: the allowance for loans individually evaluated for impairment ("special reserves"), and the allowance for loans collectively evaluated for impairment ("general reserve"), representing $3.1 million. The general reserve covers loans that are not individually classified as impaired. In evaluating whether qualitative adjustments are necessary, management considers (1) changes in national, regional and local economic conditions that affect the collectability of the loan portfolio (2) changes in collateral value of loans (3) changes in lending policies and procedures, risk selection and underwriting standards (4) changes in the volume and severity of past due loans, nonaccrual loans or loans classified special mention, substandard, doubtful or loss (5) the existence and effect of any concentrations of credit and changes in the level of such concentrations (6) changes in the nature and volume of the loan portfolio and terms of loans, (7) changes in the experience, ability and depth of lending management and other relevant staff, (8) quality of loan review, (9) the effect of other external factors, trends or uncertainties that could affect management's estimate of probable losses, such as competition and industry conditions.

The principal considerations for our determination that performing procedures relating to the evaluation of qualitative adjustments used in the calculation of the general reserve portion of the allowance for loan losses is a critical audit matter are as follows: Significant judgment used by management when evaluating the qualitative adjustments, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence relating to the qualitative adjustments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included among others, testing management's process for evaluating qualitative adjustments by (i) evaluating the appropriateness of the methodology management used in evaluating the qualitative adjustments, (ii) testing the inputs used in the estimate of qualitative adjustments, including the completeness and accuracy of underlying historical loss data, and (iii) evaluating the reasonableness of the qualitative adjustments given current microeconomic trends and portfolio characteristics.

(PCAOB ID: 400)

/s/ HACKER, JOHNSON & SMITH PA
We have served as the Company's auditor since 2000.
Fort Lauderdale, Florida
March 8, 2022

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	December 31,			
	2021		2020	
Assets:				
Cash and due from banks	$	13,681	$	25,523
Interest-bearing deposits with banks		45,289		29,106
Total cash and cash equivalents		58,970		54,629
Debt securities available for sale		34,394		18,893
Debt securities held-to-maturity (fair value of $1,071 and $3,549)		1,040		3,399
Loans, net of allowance for loan losses of $3,075 and $1,906		247,902		152,469
Federal Home Loan Bank stock		793		1,092
Premises and equipment, net		843		1,413
Right-of-use operating lease assets		1,737		904
Accrued interest receivable		971		1,336
Deferred tax asset		3,442		—
Other assets		1,786		977
Total assets	$	351,878	$	235,112
Liabilities and Stockholders' Equity:				
Liabilities:				
Noninterest-bearing demand deposits	$	124,119	$	58,312
Savings, NOW and money-market deposits		155,102		110,704
Time deposits		13,236		21,743
Total deposits		292,457		190,759
Federal Home Loan Bank advances		18,000		23,000
Junior subordinated debenture		-		2,068
Official checks		140		142
Operating lease liabilities		1,775		923
Other liabilities		996		386
Total liabilities		313,368		217,278
Commitments and contingencies (Notes 8 and 14)				
Stockholders' equity:				
Preferred stock, no par value; 6,000,000 shares authorized:				
Series A Preferred, no par value, no shares issued and outstanding		—		—
Series B Preferred, no par value, 760 shares authorized,760 and 400 shares issued and outstanding in 2021 and 2020		—		—
Common stock, $.01 par value; 10,000,000 shares authorized, 4,775,281 and 3,203,455 shares issued and outstanding in 2021 and 2020		48		32
Additional paid-in capital		65,193		50,263
Accumulated deficit		(26,096)		(32,392)
Accumulated other comprehensive loss		(635)		(69)
Total stockholders' equity		38,510		17,834
Total liabilities and stockholders' equity	$	351,878	$	235,112

See accompanying notes to Consolidated Financial Statements

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Operations
(In thousands)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Interest income:		
Loans	$ 9,756	$ 6,413
Debt securities	488	192
Other	145	105
Total interest income	10,389	6,710
Interest expense:		
Deposits	651	1,277
Borrowings	334	443
Total interest expense	985	1,720
Net interest income	9,404	4,990
Provision for loan losses	1,173	1,020
Net interest income after provision for loan losses	8,231	3,970
Noninterest income:		
Service charges on deposits	1,331	272
Gain on sale of premises and equipment, net	340	-
Other	103	22
Total noninterest income	1,774	294
Noninterest expenses:		
Salaries and employee benefits	3,653	2,324
Professional fees	563	558
Occupancy and equipment	650	570
Data processing	765	546
Insurance	95	85
Regulatory assessment	164	158
Other	1,046	805
Total noninterest expenses	6,936	5,046
Net income (loss) before income tax benefit	3,069	(782)
Income tax benefit	(3,227)	-
Net income (loss)	$ 6,296	$ (782)
Net income (loss) per share - basic and diluted	$ 1.61	$ (0.27)

See Accompanying Notes to Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	Year Ended December 31, 2021		Year Ended December 31, 2020
Net income (loss)	6,296	$	(782)
Other comprehensive (loss) income:			
Change in unrealized (loss) gain on debt securities-			
Unrealized (loss) gain arising during the year	(891)		39
Amortization of unrealized loss on debt securities transferred to held-to-maturity	110		140
Other comprehensive (loss) income before income tax benefit (expense)	(781)		179
Deferred income tax benefit (expense) on above change	215		(43)
Total other comprehensive (loss) income	(566)		136
Comprehensive income (loss)	5,730	$	(646)

See Accompanying Notes to Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2021 and 2020
(Dollars in thousands except per share amounts)

	Preferred Stock Series A		Preferred Stock Series B		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity
Balance at December 31, 2019	—	$ —	—	$ —	2,853,171	$ 28	$ 38,994	$ (31,610)	$ (205)	$ 7,207
Proceeds from the sale of preferred stock	—	—	400	—	—	—	10,000	—	—	10,000
Proceeds from the sale of common stock	—	—	—	—	98,182	1	539	—	—	540
Stock-based compensation	—	—	—	—	80,602	1	218	—	—	219
Common stock issued in exchange for Trust Preferred Securities	—	—	—	—	171,500	2	512	—	—	514
Net change in unrealized gain on debt securities available for sale, net of income taxes	—	—	—	—	—	—	—	—	30	30
Amortization of unrealized loss on debt securities transferred to held-to-maturity	—	—	—	—	—	—	—	—	106	106
Net loss	—	—	—	—	—	—	—	(782)	—	(782)
Balance at December 31, 2020	—	—	400	—	3,203,455	32	50,263	(32,392)	(69)	17,834
Proceeds from the sale of preferred stock	—	—	360	—	—	—	9,000	—	—	9,000
Proceeds from the sale of common stock			—	—	809,100	9	3,629	—	—	3,638
Stock-based compensation	—	—	—	—	62,112	—	199	—	—	199
Common stock issued for junior subordinated debenture interest payable					11,042	—	41	—	—	41
Common stock issued in exchange for Trust Preferred Securities	—	—	—	—	689,572	7	2,061	—	—	2,068
Net change in unrealized gain on debt securities available for sale, net of income taxes	—	—	—	—	—	—	—	—	(676)	(676)
Amortization of unrealized loss on debt securities transferred to held-to-maturity	—	—	—	—	—	—	—	—	110	110
Net income	—	—	—	—	—	—	—	6,296	—	6,296
Balance at December 31, 2021	—	—	760	—	4,775,281	48	65,193	(26,096)	(635)	38,510

See Accompanying Notes to Consolidated Financial Statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2021	**2020**
Cash flows from operating activities:		
Net income (loss)	$ 6,296	$ (782)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for loan losses	1,173	1,020
Depreciation and amortization	210	176
Deferred income tax benefit	(3,227)	—
Stock-based compensation	199	219
Net accretion of fees, premiums and discounts	(772)	(37)
Gain on sale of premises and equipment, net	(340)	—
Loss on sale of foreclosed real estate, net	—	7
Decrease (increase) in accrued interest receivable	365	(904)
Amortization of right-of-use operating lease assets	92	151
Net decrease in operating lease liabilities	(73)	(138)
Increase in other assets	(809)	(172)
Increase (decrease) in official checks and other liabilities	649	(998)
Net cash provided by (used in) operating activities	3,763	(1,458)
Cash flows from investing activities:		
Purchase of debt securities available for sale	(19,513)	(15,720)
Principal repayments of debt securities available for sale	2,915	2,220
Principal repayments of debt securities held-to-maturity	2,409	2,473
Net increase in loans	(95,568)	(51,771)
Proceeds from sale of foreclosed real estate	—	674
Purchases of premises and equipment	(381)	(200)
Proceeds from sale of premises and equipment	1,081	—
Redemption (purchase) of FHLB stock	299	(450)
Net cash used in investing activities	(108,758)	(62,774)
Cash flows from financing activities:		
Net increase in deposits	101,698	89,387
Net (decrease) increase in Federal Home Loan Bank advances	(5,000)	10,000
Proceeds from sale of common stock	3,638	540
Proceeds from sale of preferred stock	9,000	10,000
Net cash provided by financing activities	109,336	109,927
Net increase in cash and cash equivalents	4,341	45,695
Cash and cash equivalents at beginning of the year	54,629	8,934
Cash and cash equivalents at end of the year	$ 58,970	$ 54,629
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 1,041	$ 2,681
Income taxes	$ —	$ —
Noncash transactions:		
Change in accumulated other comprehensive (loss) income, net change in unrealized (loss) gain on debt securities available for sale, net of income taxes	$ (566)	$ 136
Amortization of unrealized loss on debt securities transferred to held-to-maturity	$ 110	$ 140
Right-of use lease assets obtained in exchange for operating lease liabilities	$ 925	$ —

Issuance of common stock in exchange for Junior Subordinated Debenture	$ 2,068	$ 514
Transfer of loan to foreclosed real estate	$ —	$ 681
Issuance of common stock for Junior Subordinated Debenture interest payable	$ 41	$ —

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 two 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.

Subsequent Events. The Company has evaluated subsequent events through March 8, 2022, which is the date the consolidated financial statements were issued, determining no additional events required disclosure.

Coronavirus Global Pandemic ("COVID-19"). The Company is subject to risks related to the public health crisis associated with COVID-19. COVID-19 has negatively impacted the global economy, disrupted global supply chains, created significant volatility and disruption in financial market. The extent to which COVID-19 impacts the Company's business, results of operations, and financial condition, as well as loan quality, regulatory capital and liquidity ratios, will depend on future developments, the duration of the pandemic, and actions taken by governmental authorities to slow the spread of the disease or to mitigate its effects.

Junior Subordinated Debenture.

In 2004, the Company formed OptimumBank Capital Trust I (the "Trust") for the purpose of raising capital 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 third party investors 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").

The outstanding principal amount of the Junior Subordinated Debenture at December 31, 2020, was $2,068,000, During the year ended December 31, 2021, the Company acquired all of the outstanding Trust Preferred Securities and paid all accrued interest in exchange for 700,614 shares of the Company's common stock. These shares were issued in the following transactions:

During the first quarter of 2021, the Company issued 11,042 shares of common stock to pay approximately $41,000 of accrued interest associated with the Junior Subordinated Debenture.

During the second quarter of 2021, the Company issued 282,377 shares of common stock in exchange for 840 Trust Preferred Securities. For accounting purposes, the Trust Preferred Securities acquired by the Company were deemed to be cancelled. As a result, the Company cancelled $840,000 in principal amount of the Trust Preferred Securities, together with accrued interest of $7,000, and increased its stockholders' equity by the same amount.

During the third quarter of 2021, the Company issued 407,195 shares of common stock in exchange for the remaining 1,228 Trust Preferred Securities. For accounting purposes, the Trust Preferred Securities acquired by the Company were deemed to be cancelled. As a result, the Company cancelled $1,221,000 in principal amount of the Trust Preferred Securities and increased its stockholders' equity by the same amount.

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. This requirement is based on the amount of the Bank's transaction deposit accounts. As of December 31, 2021 and 2020, the Bank did not have a reserve requirement as the Federal Reserve Board lowered the requirements to zero for all depository institutions.

(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 debt securities available for sale 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, 2021 or 2020.

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: (1) changes in national, regional and local economic conditions that affect the collectability of the loan portfolio (2) changes in collateral value of loans (3) changes in lending policies and procedures, risk selection and underwriting standards (4) changes in the volume and severity of past due loans, nonaccrual loans or loans classified special mention, substandard, doubtful or loss (5) the existence and effect of any concentrations of credit and changes in the level of such concentrations (6) changes in the nature and volume of the loan portfolio and terms of loans, (7) changes in the experience, ability and depth of lending management and other relevant staff, (8) quality of loan review, (9) the effect of other external factors, trends or uncertainties that could affect management's estimate of probable losses, such as competition and industry conditions.

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.

Leases. 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 lease commencement date. As our leases do not provide implicit rates, we use our incremental borrowing rate commensurate with the underlying lease terms. 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.

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.

Revenue Recognition. The Company has adopted Accounting Standards Updated ("ASU") ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"). The majority of the Company's revenues come from interest income and financial assets, including loans, and securities which are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer. Elements of noninterest income within the scope of ASC 606 are limited to service charges on deposit accounts and gain on sale of premises and equipment. The following summarizes the Company's revenue recognition accounting policy for service charges on deposit accounts which is within the scope of ASC 606-

Service Charges on Deposit Accounts. Deposit related fees consist of fees earned on transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as wire fees, ATM use fees, debit card interchange fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that it the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Gain on sale of premises and equipment. Gain on sale of premises and equipment was recognized when control of the property was transferred and it is probable that substantially all consideration will be collected.

(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.

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 $26,000 and $10,000 during the years ended December 31, 2021 and 2020, 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.

Net Income (Loss) Per Share. Basic net income (loss) per share is computed on the basis of the weighted-average number of common shares outstanding. In 2021 and 2020, basic and diluted net income (loss) per share were the same because there are no outstanding potentially diluted securities. Earnings (Loss) per common share has been computed based on the following:

	Year Ended December 31,	
	2021	**2020**
Weighted-average number of common shares outstanding used to calculate basic and diluted net income (loss) per common share	3,899,118	2,934,293

(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. 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 collateralized mortgage obligations, mortgage-backed securities, SBA pool securities and taxable municipal securities.

Impaired Loans. The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments result in level 3 fair value classification for impaired loans measured at fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

(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).

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

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

	December 31, 2021	December 31, 2020
Unrealized (loss) gain on debt securities available for sale	$ (816)	$ 50
Unamortized portion of unrealized loss related to debt securities available for sale transferred to debt securities held-to-maturity	(34)	(144)
Income tax benefit	215	25
	$ (635)	$ (69)

(1) Summary of Significant Accounting Policies, continued

Reclassifications. Certain amounts in 2020 consolidated financial statements have been reclassified to conform to the 2021 consolidated financial statement presentation.

Recent Pronouncements. In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 condensed 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. 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, 2021:				
Held-to-maturity:				
Collateralized mortgage obligations	$ 854	$ 28	$ —	$ 882
Mortgage-backed securities	186	3	—	189
Total	$ 1,040	$ 31	—	$ 1,071
Available for sale:				
SBA Pool Securities	$ 1,097	$ 1	$ (26)	$ 1,072
Collateralized mortgage obligations	210	7	—	217
Taxable municipal securities	16,766	19	(359)	16,426
Mortgage-backed securities	17,137	19	(477)	16,679
Total	$ 35,210	$ 46	$ (862)	$ 34,394
At December 31, 2020:				
Held-to-maturity:				
Collateralized mortgage obligations	$ 2,420	$ 116	$ —	$ 2,536
Mortgage-backed securities	979	34	—	1,013
Total	$ 3,399	$ 150	—	$ 3,549
Available for sale:				
SBA Pool Securities	$ 1,338	$ —	$ (41)	$ 1,297
Collateralized mortgage obligations	458	27	—	485
Taxable municipal securities	5,063	29	(7)	5,085
Mortgage-backed securities	11,984	53	(11)	12,026
Total	$ 18,843	$ 109	$ (59)	$ 18,893

There were no sales of debt securities available for sale during the years ended December 31, 2021 and 2020.

Debt 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):

	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
At December 31, 2021:				
Available for Sale:				
SBA Pool Securities	$ 26	$ 895	$ -	$ -
Taxable municipal securities	$ 81	$ 1,853	$ 278	$ 12,828
Mortgage-backed securities	$ 242	$ 6,179	$ 235	$ 9,984
Total	349	8,927	513	22,812
At December 31, 2020:				
Available for Sale:				
SBA Pool Securities	$ 41	$ 1,297	$ -	$ -
Taxable municipal securities	$ -	$ -	$ 7	$ 1,413
Mortgage-backed securities	$ -	$ -	$ 11	$ 3,583
Total	41	1,297	18	4,996

(continued)

(2) ***Debt Securities, Continued.***

At December 31, 2021 and 2020, the unrealized losses on twenty-nine and eleven debt securities, respectively, were caused by market conditions. It is expected that the debt securities will 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.

As of December 31, 2021, the Company had pledged securities with a market value of $118,000 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, 2021. 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,	
	2021	2020
Residential real estate	$ 32,583	$ 28,997
Multi-family real estate	48,592	19,210
Commercial real estate	129,468	74,398
Land and construction	3,772	4,750
Commercial	14,157	21,849
Consumer	22,827	5,715
Total loans	251,399	154,919
Deduct:		
Net deferred loan (fees), costs and premiums	(422)	(544)
Allowance for loan losses	(3,075)	(1,906)
Loans, net	$ 247,902	$ 152,469

The Company makes the majority of its loans to borrowers in 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, 2021 and 2020 follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	**Commercial Real Estate**	**Land and Construction**	**Commercial**	**Consumer**	**Unallocated**	**Total**
Year Ended December 31, 2021:								
Beginning balance	$ 463	$ 253	$ 884	$ 52	$ 103	$ 151	$ —	$ 1,906
Provision (Credit) for loan losses	(11)	282	651	(28)	(231)	510	—	1,173
Charge-offs	—	—	—	—	(23)	(254)	—	(277)
Recoveries	30	—	—	8	225	10	—	273
Ending balance	$ 482	$ 535	$ 1,535	$ 32	$ 74	$ 417	$ —	$ 3,075
Year Ended December 31, 2020:								
Beginning balance	$ 531	$ 82	$ 624	$ 21	$ 573	$ 152	$ 26	$ 2,009
Provision (Credit) for loan losses	175	171	260	7	284	149	(26)	(1,020)
Charge-offs	(259)	—	—	—	(775)	(150)	—	(1,184)
Recoveries	16	—	—	24	21	—	—	61
Ending balance	$ 463	$ 253	$ 884	$ 52	$ 103	$ 151	$ —	$ 1,906

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, 2021 and 2020 follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	**Commercial Real Estate**	**Land and Construction**	**Commercial**	**Consumer**	**Unallocated**	**Total**
At December 31, 2021:								
Collectively evaluated for impairment:								
Recorded investment	$ 32,583	$ 48,592	$ 129,468	$ 3,772	$ 14,157	$ 22,827	$ —	$ 251,399
Balance in allowance for loan losses	$ 481	$ 535	$ 1,535	$ 32	$ 72	$ 420	$ —	$ 3,075
At December 31, 2020:								
Individually evaluated for impairment:								
Recorded investment	$ —	$ —	$ 2,193	$ —	$ —	$ —	$ —	$ 2,193
Balance in allowance for loan losses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment:								
Recorded investment	$ 30,254	$ 20,637	$ 69,521	$ 4,750	$ 21,849	$ 5,715	$ —	$ 152,726
Balance in allowance for loan losses	$ 463	$ 253	$ 884	$ 52	$ 103	$ 151	$ —	$ 1,906

(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. The Company took action to support its clients and help its communities by participating in the Payroll Protection Plan ("PPP"). The Company originated 502 PPP loans for a total dollar amount of $37.4 million. These loans are 100% guaranteed by the Small Business Administration (the "SBA"). At December 31, 2021, the outstanding balance of these PPP loans totaled $10 million.

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, 2021:						
Residential real estate	$ 30,080	$ —	$ 2,503	$ —	$ —	$ 32,583
Multi-family real estate	47,962	630	—	—	—	48,592
Commercial real estate	125,620	3,848	—	—	—	129,468
Land and construction	3,772	—	—	—	—	3,772
Commercial	13,960	197	—	—	—	14,157
Consumer	22,827	—	—	—	—	22,827
Total	$ 244,221	$ 4,675	$ 2,503	$ —	$ —	$ 251,399
At December 31, 2020:						
Residential real estate	$ 28,151	$ —	$ 846	$ —	$ —	$ 28,997
Multi-family real estate	19,210	—	—	—	—	19,210
Commercial real estate	66,089	4,449	3,860	—	—	74,398
Land and construction	4,750	—	—	—	—	4,750
Commercial	20,735	1,114	—	—	—	21,849
Consumer	5,715	—	—	—	—	5,715
Total	$ 144,650	$ 5,563	$ 4,706	$ —	$ —	$ 154,919

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, 2021 and 2020 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, 2021:							
Residential real estate	$ 198	$ —	$ —	$ 198	$ 32,385	$ —	$ 32,583
Multi-family real estate	—	—	—	—	48,592	—	48,592
Commercial real estate	—	—	—	—	129,468	—	129,468
Land and construction	—	—	—	—	3,772	—	3,772
Commercial	—	—	—	—	14,157	—	14,157
Consumer	69	—	—	69	22,758	—	22,827
Total	$ 267	$ —	$ —	$ 267	$ 251,132	$ —	$ 251,399
At December 31, 2020:							
Residential real estate	$ 977	$ —	$ —	$ 977	$ 28,020	$ —	$ 28,997
Multi-family real estate	—	—	—	—	19,210	—	19,210
Commercial real estate	—	—	—	—	72,205	2,193	74,398
Land and construction	—	—	—	—	4,750	—	4,750
Commercial	—	—	—	—	21,849	—	21,849
Consumer	6	—	—	6	5,709	—	5,715
Total	$ 983	$ —	$ —	$ 983	$ 151,743	$ 2,193	$ 154,919

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

	At December 31, 2021			At December 31, 2020		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial real estate	$ —	$ —	$ —	$ 2,193	$ 2,193	$ —

(continued)

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

	For the Year Ended December 31,					
	2021			2020		
	Average Recorded Investment	Interest Income Recognized	Interest Income Received	Average Recorded Investment	Interest Income Recognized	Interest Income Received
Residential real estate	$ —	$ —	$ —	$ 651	$ 18	$ 11
Commercial real estate	$ 658	$ 7	$ 7	$ 2,194	$ 78	$ 60
Commercial	$ —	$ —	$ —	$ 499	$ —	$ 18
Total	$ 658	$ 7	$ 7	$ 3,344	$ 96	$ 89

No loans have been determined to be troubled debt restructurings (TDR's) during the year ended December 31, 2021 and 2020. At December 31, 2021 and 2020, there were no loans modified and entered into TDR's within the past twelve months, that subsequently defaulted during the years ended December 31, 2021 or 2020.

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

	At December 31,	
	2021	2020
Land	$ —	$ 426
Buildings and improvements	—	654
Furniture, fixtures and equipment	819	730
Leasehold improvements	654	505
Total, at cost	1,473	2,315
Less accumulated depreciation and amortization	(630)	(902)
Premises and equipment, net	$ 843	$ 1,413

During the fourth quarter, the Company sold one of its branch locations to a third-party. The sale was completed in November 2021 for $1,081,000. In connection with the sale, the Company recorded a gain in the consolidated statements of operations of $340,000 in November 2021.

(continued)

(5) ***Leases.*** The Company's operating lease obligation is for two of its branch locations. as well as a third location expected to open in 2022 in North Miami Beach, Florida. Our leases have a weighted-average remaining lease term of approximately 8.3 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,	
	2021	**2020**
Operating lease cost	$ 213	$ 171
Cash paid for amounts included in measurement of lease liabilities	$ 195	$ 158

	At December 31, 2021	At December 31, 2020
Operating lease right-of-use assets	$ 1,737	904
Operating lease liabilities	$ 1,775	923
Weighted-average remaining lease term	8.3 years	7.4 years
Weighted-average discount rate	2.11%	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, 2021
2022	$ 254
2023	185
2024	189
2025	192
2026	202
Thereafter	818
Total future minimum lease payments	1,840
Less imputed interest	(65)
Total operating lease liability	$ 1,775

(6) Deposits

The aggregate amount of time deposits with a minimum denomination of $250,000 was approximately $1.7 million and $2.5 million at December 31, 2021 and 2020, respectively.

A schedule of maturities of time deposits at December 31, 2021 follows (in thousands):

Maturing Year Ending December 31,	Amount
2022	$ 11,490
2023	965
2024	257
2025	496
2026	28
	$ 13,236

(7) Federal Home Loan Bank Advances and Other Available Credit

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, 2021	At December 31, 2020
2022	1.68%	$ —	$ 5,000
2024	1.96%	4,000	4,000
2025	1.01%	10,000	10,000
2029	1.69%	4,000	4,000
		$ 18,000	$ 23,000

At December 31, 2021, three FHLB Advances were structured advances with potential calls on a quarterly basis.

FHLB advances are collateralized by a blanket lien requiring the Company to maintain certain first mortgage loans as pledged collateral. At December 31, 2021, the Company had remaining credit availability of $65.7 million which can be used if additional collateral is pledged. At December 31, 2021, the Company had loans pledged with a carrying value of $123.4 million as collateral for FHLB advances.

At December 31, 2021, the Company also had lines of credit amounting to $19.5 million with five 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 $116,000. The line is secured by $118,000 in securities. At December 31, 2021 and 2020 there were no borrowings under these lines of credit.

(continued)

(8) Financial Instruments

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

	At December 31, 2021			At December 31, 2020		
	Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value	Level
Financial assets:						
Cash and cash equivalents	$ 58,970	$ 58,970	1	$ 54,629	$ 54,629	1
Debt Securities available for sale	34,394	34,394	2	18,893	18,893	2
Debt Securities held-to-maturity	1,040	1,071	2	3,399	3,549	2
Loans	247,902	247,788	3	152,469	153,276	3
Federal Home Loan Bank stock	793	793	3	1,092	1,092	3
Accrued interest receivable	971	971	3	1,336	1,336	3
Financial liabilities:						
Deposit liabilities	292,457	292,537	3	190,759	191,011	3
Federal Home Loan Bank advances	18,000	18,021	3	23,000	23,254	3
Junior subordinated debenture	—	—	3	2,068	N/A[1]	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 Note1 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, 2021 follows (in thousands):

Commitments to extend credit	$ 11,891
Unused lines of credit	$ 11,793
Standby letters of credit	$ 4,550

(continued)

(9) Income Taxes

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Current:		
Federal	$ —	$ —
State	—	—
Total Current	—	—
Deferred:		
Federal	609	(161)
State	169	(34)
Change in Valuation Allowance	(4,005)	195
Total Deferred	(3,227)	—
Total	$ (3,227)	$ —

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

	2021 Amount	2021 % of Pretax Loss	2020 Amount	2020 % of Pretax Loss
Income tax benefit at statutory rate	$ 644	21%	$ (164)	21%
Increase (decrease) resulting from:				
State taxes, net of Federal tax benefit	134	4.3%	(34)	4.4%
Other permanent differences	—	—	3	(0.4)%
Change in valuation allowance	(4,005)	(130.5)%	195	(25)%
	$ (3,227)	(105.2)%	$ —	0%

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, 2021	At December 31, 2020
Deferred tax assets:		
Net operating loss carryforwards	$ 3,336	$ 4,284
Allowance for loan losses	15	—
Premises and equipment	53	60
Nonaccrual loan interest	30	40
Lease Liability	450	234
Unrealized loss on debt securities	215	25
	4,099	4,643
Less: Valuation allowance	—	4,005
Total deferred tax assets	4,099	638
Deferred tax liabilities:		
Allowance for loan losses	—	(283)
Right of use lease assets	(440)	(229)
Loan costs	(217)	(101)
Total deferred tax liabilities	(657)	(613)

Net deferred tax asset	$ 3,442	$ 25

During the years ended December 31, 2021 and 2020, the Company assessed its earnings history and trend over the past year and its estimate of future earnings. In 2021, the Company determined that it was more likely than not that the deferred tax assets would be realized in the near term. Accordingly, in 2021, the valuation allowance in the amount of $4 million that had been previously recorded against the net deferred tax asset for the amount not expected to be realized in the future was fully reversed. At December 31, 2021, the net deferred tax asset of $3.4 million was presented under the caption “deferred taxes” on the accompanying consolidated balance sheets. At December 31, 2020, the net deferred tax asset of $25,000, was presented under the caption “other assets” on the accompanying consolidated balance sheets.

At December 31, 2021, the Company had net operating loss carryforwards of approximately $13.2 million for Federal and Florida tax purposes available to offset future taxable income. These carryforwards will begin to expire in 2029. A portion of the Federal and Florida net operating losses are subject to Internal Revenue Code (“IRC”) Section 382 limitations.

(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 2018.

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits. The Company adjusts 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 2021, the Company incurred approximately $44,000 in legal fees payable to a law firm owned by a director.

At December 31, 2021 and 2020, related parties had approximately $46,600,000 and $36,000,000, respectively, on deposit with the Company.

At December 31, 2021 and 2020, related party loans totaled $1,000,000 and $1,100,000, respectively.

(11) Stock-Based Compensation

The Company is authorized to grant stock options, stock grants and other forms of equity-based compensation under its 2018 Equity Incentive Plan, as amended (the "Plan"). The plan has been approved by the shareholders. The Company is authorized to issue up to 550,000 shares of common stock under the 2018 Plan, of which 299,904 have been issued, and 250,096 shares remain available for grant.

During the year ended December 31, 2020, the Company recorded compensation expense of $219,000 with respect to 80,602 shares issued to a director for services performed.

During the year ended December 31, 2021, the Company recorded compensation expense of $199,000 with respect to 62,112 shares issued to a director and an executive officer for services performed.

(12) Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the 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 the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's 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

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations. The final rule became effective on January 1, 2020 and was elected by the Bank. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying community banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8.5% as of December 31, 2021, 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the Bank maintains a leverage ratio of 7.5% as of December 31, 2021, 8% for calendar year 2022and beyond. Under the final rule, an eligible community banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction.

Management believes, as of December 31, 2021, that the Bank meets all capital adequacy requirements to which it is subject. The Bank's actual capital amounts and percentages are presented in the table ($ in thousands):

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	**%**	**Amount**	**%**
As of December 31, 2021:				
Tier I Capital to Total Assets	$ 35,338	10.64%	$ 28,235	8.5%
As of December 31, 2020:				
Tier I Capital to Total Assets	$ 19,261	9%	$ 17,116	8%

(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 adverse 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, 2021 or 2020.

(continued)

(16) Fair Value Measurement

There were no impaired collateral-dependent loans measured at fair value on a nonrecurring basis at December 31, 2021.

Debt securities available for sale 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, 2021:				
SBA Pool Securities	$ 1,072	$ —	$ 1,072	$ —
Collateralized mortgage obligations	217	—	217	—
Taxable municipal securities	16,426	—	16,426	—
Mortgage-backed securities	16,679	—	16,679	—
Total	$ 34,394	$ —	$ 34,394	$ —
At December 31, 2020:				
SBA Pool Securities	$ 1,297	$ —	$ 1,297	$ —
Collateralized mortgage obligations	485	—	485	—
State and political subdivision	5,085	—	5,085	
Mortgage-backed securities	12,026	—	12,026	—
Total	$ 18,893	$ —	$ 18,893	$ —

During the years ended December 31, 2021 and 2020, no debt securities were transferred in or out of Level 3.

(17) Company Unconsolidated Financial Information

The Company's unconsolidated financial information as of December 31, 2021 and 2020 and for the years then ended follows (in thousands):

Condensed Balance Sheets

	At December 31, 2021	2020
Assets		
Cash	$ 508	$ 123
Investment in subsidiary	36,364	19,193
Deferred tax asset	1,676	—
Other assets	167	642
Total assets	$ 38,715	$ 19,958
Liabilities and Stockholders' Equity		
Other liabilities	$ 205	$ 56
Junior subordinated debenture	—	2,068
Stockholders' equity	38,510	17,834
Total liabilities and stockholders' equity	$ 38,715	$ 19,958

Condensed Statements of Operations

	Year Ended December 31, 2021	2020
Income (loss) of subsidiary	$ 5,412	$ (43)
Interest expense	(41)	(122)
Other expense	(751)	(617)
Income tax benefit	1,676	—
Net income (loss)	$ 6,296	$ (782)

Condensed Statements of Cash Flows

	Year Ended December 31, 2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 6,296	$ (782)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation	199	219
Equity in undistributed (income) loss of subsidiary	(5,412)	43
Deferred income tax benefit	(1,676)	—
Increase (decrease) in other liabilities	149	(1,062)
Decrease (increase) in other assets	475	(475)
Net cash provided by (used in) operating activities	31	(2,057)
Cash flow from investing activities –		
Capital infusion to bank subsidiary	(12,324)	(8,370)
Cash flow from financing activities:		
Proceeds from sale of preferred stock	9,000	10,000
Proceeds from sale of common stock	3,678	540
Cash provided by financing activities	12,678	10,540

Net increase in cash		385		113
Cash at beginning of the year		123		10
Cash at end of year	$	508	$	123
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	$	(566)	$	136
Issuance of common stock in exchange for Trust Preferred Securities	$	2,068	$	514

(18) Preferred Stock

During 2021 and 2020, the Company issued 360 and 400 shares, respectively, of the Company's Series B Participating Preferred Stock (the "Series B Preferred") at a price of $25,000 per share, or an aggregate of $19 million. The Preferred Stock has no par value. Except in the event of liquidation, if the Company declares or pays a dividend or distribution on the common stock, the Company shall simultaneously declare and pay a dividend on the Series B Preferred on a pro rata basis with the common stock determined on an as-converted basis assuming all shares of Series B Preferred Stock had been converted immediately prior to the record date of the applicable dividend. The Preferred Stock is convertible into 7,600,000 shares of common stock, at the option of the Company, subject to the prior fulfilment of the following conditions: (i) such conversion shall have been approved by the holders of a majority of the outstanding common stock of the Company; and (ii) such conversion shall not result in any holder of the Series B Preferred Stock and any persons with whom the holder may be acting in concert, becoming beneficial owners of more than 9.9% of the outstanding shares of the common stock. The number of shares issuable upon conversion is subject to adjustment based on the terms of the applicable Certificate of Designation for the Series B Preferred (the "Certificate of Designation") The Series B Preferred has preferential liquidation rights over common stockholders and holders of junior securities. The liquidation price is the greater of $25,000 per share of Series B Preferred or such amount per share of Series A Preferred that would have been payable had all shares of the Series B Preferred had been converted into common stock pursuant to the terms of the Certificate of Designation immediately prior to a liquidation. The Series B Preferred generally has no voting rights except as provided in the Certificate of Designation.

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 Principal 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, 2021. 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, 2021.

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, 2021 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

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections)

Not applicable.

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 2022 Annual Meeting of Stockholders, which will be filed within 120 days of the end of its fiscal year ended December 31, 2021 (the "2022 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 2022 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 2022 Proxy Statement and is incorporated herein by reference.

The Company has one equity compensation plan under which shares of its common stock were available to be issued at December 31, 2021. The plan was previously approved by its shareholders. The following table sets forth information as of December 31, 2021 with respect to the number of shares of the Company's common stock issuable pursuant to this plan.

Equity Compensation Plan Information

The following table provides information generally as of December 31, 2021, regarding securities to be issued on exercise of stock options, and securities remaining available for issuance under the Company's equity compensation plan that was in effect during fiscal year 2021.

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 plan
Equity compensation plans approved by stockholders	—	$ —	250,096

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 2022 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 2022 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)
4.1	Bylaws (incorporated by reference from Current Report on Form 8-K filed with the SEC on May 11, 2004)
4.2	Description of Securities (incorporated by reference from the Annual Report on Form 10-K/A filed with the SEC on April 30, 2021)
4.3	Form of stock certificate (incorporated by reference from Quarterly Report on Form 10-QSB filed with the SEC on August 12, 2004)
10.1	OptimumBank Holdings, Inc. 2018 Equity Incentive Plan (incorporated by reference from Proxy Statement on Schedule 14A filed with the SEC on May 2, 2018)
10.2	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)
10.3	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)
10.4	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)
10.5	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	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL 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 8th day of March, 2022.

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/ Moishe Gubin Moishe Gubin	Chairman of the Board	March 8, 2022
/s/ Joel Klein Joel Klein	Principal Financial Officer	March 8, 2022
/s/ H Fai Chan H Fai Chan	Director	March 8, 2022
/s/ Moishe Gubin Moishe Gubin	Director	March 8, 2022
/s/ Martin Schmidt Martin Schmidt	Director	March 8, 2022
/s/ Joel Klein Joel Klein	Director	March 8, 2022
/s/ Avi M. Zwelling Avi M. Zwelling	Director	March 8, 2022
/s/ Michael Blisko Michael Blisko	Director	March 8, 2022

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 omits 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 8, 2022

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 8, 2022

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, 2021 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 8, 2022

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, 2021 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 8, 2022