REFINITIV

DELTA REPORT

10-Q

OPHC - OPTIMUMBANK HOLDINGS, INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	580
CHANGES	139
DELETIONS	264
ADDITIONS	177

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, March 31, 2023 2024

or

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

For the transition period from __________ to _________

Commission File Number: **000-50755**

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

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

2929 East Commercial Boulevard, Fort Lauderdale, FL 33308
(Address of principal executive offices) offices, Zip Code)

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 Par Value	OPHC	NASDAQ Capital Market

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 7,250,219 9,634,821 shares of common stock, $.01 par value, issued and outstanding as of November 9, 2023 May 13, 2024.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

INDEX

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2023	December 31, 2022
	(Unaudited)	
Assets:		
Cash and due from banks	$ 9,558	$ 19,788
Interest-bearing deposits with banks	94,440	52,048
Total cash and cash equivalents	103,998	71,836
Debt securities available for sale	23,084	25,102
Debt securities held-to-maturity (fair value of $348 and $504)	393	540
Loans, net of allowance for credit losses of $7,200 and $5,793	573,586	477,218
Federal Home Loan Bank stock	884	600
Premises and equipment, net	1,251	934
Right-of-use lease assets	2,231	2,119
Accrued interest receivable	1,782	1,444
Deferred tax asset	3,288	3,836
Other assets	2,738	1,590
Total assets	$ 713,235	$ 585,219
Liabilities and Stockholders' Equity:		
Liabilities:		
Noninterest-bearing demand deposits	$ 211,695	$ 159,193
Savings, NOW and money-market deposits	253,334	108,726
Time deposits	153,345	239,980
Total deposits	618,374	507,899
Federal Home Loan Bank advances	10,000	10,000
Federal Reserve Bank advances	13,600	—
Operating lease liabilities	2,310	2,172
Other liabilities	2,701	2,568
Total liabilities	646,985	522,639
Commitments and contingencies (Notes 8 and 11)		
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 Convertible Preferred, no par value, 1,520 shares authorized, 1,360 shares issued and outstanding	—	—
Common stock, $.01 par value; 30,000,000 and 10,000,000 shares authorized, 7,250,219 and 7,058,897 shares issued and outstanding	72	71
Additional paid-in capital	91,221	90,408
Accumulated deficit	(18,520)	(22,073)
Accumulated other comprehensive loss	(6,523)	(5,826)
Total stockholders' equity	66,250	62,580
Total liabilities and stockholders' equity	$ 713,235	$ 585,219

	March 31, 2024	December 31, 2023
	(Unaudited)	
Assets:		
Cash and due from banks	$ 14,034	$ 14,009
Interest-bearing deposits with banks	137,073	62,654
Total cash and cash equivalents	151,107	76,663
Debt securities available for sale	23,580	24,355
Debt securities held-to-maturity (fair value of $297 and $326)	336	360
Loans, net of allowance for credit losses of $8,281 and $7,683	746,370	671,094
Federal Home Loan Bank stock	2,454	3,354
Premises and equipment, net	1,579	1,375
Right-of-use lease assets	2,091	2,161
Accrued interest receivable	2,990	2,474
Deferred tax asset	3,109	2,903

Other assets	7,017	6,515
Total assets	$ 940,633	$ 791,254
Liabilities and Stockholders’ Equity:		
Liabilities:		
Noninterest-bearing demand deposits	$ 217,940	$ 194,892
Savings, NOW and money-market deposits	318,511	322,932
Time deposits	261,958	121,757
Total deposits	798,409	639,581
Federal Home Loan Bank advances	40,000	62,000
Federal Reserve Bank advances	13,355	13,600
Operating lease liabilities	2,185	2,248
Other liabilities	3,640	3,818
Total liabilities	857,589	721,247
Commitments and contingencies (Notes 8 and 11)		
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 Convertible Preferred, no par value, 1,520 shares authorized, 1,360 shares issued and outstanding	—	—
Series C Convertible Preferred, no par value, 4,000,000 and 0 shares authorized, 525,641 and 0 shares issued and outstanding	—	—
Common stock, $.01 par value; 30,000,000 shares authorized, 9,634,821 and 7,250,218 shares issued and outstanding	96	72
Additional paid-in capital	102,239	91,221
Accumulated deficit	(13,594)	(15,971)
Accumulated other comprehensive loss	(5,697)	(5,315)
Total stockholders’ equity	83,044	70,007
Total liabilities and stockholders’ equity	$ 940,633	$ 791,254

See accompanying notes to condensed consolidated financial statements.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Earnings (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest income:				
Loans	$ 7,996	$ 5,000	$ 21,837	$ 12,027
Debt securities	167	153	517	475
Other	739	341	2,243	480
Total interest income	8,902	5,494	24,597	12,982
Interest expense:				
Deposits	2,841	803	7,829	1,148
Borrowings	147	386	203	549
Total interest expense	2,988	1,189	8,032	1,697
Net interest income	5,914	4,305	16,565	11,285
Credit loss expense	1,446	1,374	2,970	2,757
Net interest income after credit loss expense	4,468	2,931	13,595	8,528
Noninterest income:				
Service charges and fees	881	637	2,359	1,906
Other	30	55	53	200
Total noninterest income	911	692	2,412	2,106
Noninterest expenses:				
Salaries and employee benefits	2,141	1,421	6,148	4,063
Professional fees	161	129	529	418
Occupancy and equipment	204	185	581	527
Data processing	455	324	1,206	886
Regulatory assessment	89	46	522	146
Litigation Settlement	—	—	375	—
Other	601	615	1,614	1,280
Total noninterest expenses	3,651	2,720	10,975	7,320
Net earnings before income taxes	1,728	903	5,032	3,314
Income taxes	459	230	1,298	841
Net earnings	$ 1,269	$ 673	$ 3,734	$ 2,473
Net earnings per share - Basic and diluted	$ 0.18	$ 0.11	$ 0.52	$ 0.44

	Three Months Ended March 31,	
	2024	2023
Interest income:		
Loans	$ 11,836	$ 6,589
Debt securities	170	178
Other	1,459	749
Total interest income	13,465	7,516
Interest expense:		
Deposits	5,077	2,432
Borrowings	637	25
Total interest expense	5,714	2,457
Net interest income	7,751	5,059

Credit loss expense	1,057	820
Net interest income after credit loss expense	6,694	4,239
Noninterest income:		
Service charges and fees	968	719
Other	271	10
Total noninterest income	1,239	729
Noninterest expenses:		
Salaries and employee benefits	2,849	1,966
Professional fees	195	197
Occupancy and equipment	205	189
Data processing	554	366
Regulatory assessment	123	209
Other	783	495
Total noninterest expenses	4,709	3,422
Net earnings before income taxes	3,224	1,546
Income taxes	847	393
Net earnings	$ 2,377	$ 1,153
Net earnings per share - Basic	$ .31	$ .16
Net earnings per share - Diluted	.31	.16

See accompanying notes to condensed consolidated financial statements.

2

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net earnings	$ 1,269	$ 673	$ 3,734	$ 2,473
Other comprehensive loss:				
Change in unrealized loss on debt securities:				
Unrealized loss arising during the period	(1,271)	(1,084)	(937)	(6,989)
Amortization of unrealized loss on debt securities transferred to held-to-maturity	2	1	4	12
Other comprehensive loss before income taxes	(1,269)	(1,083)	(933)	(6,977)
Deferred income taxes benefit	321	276	236	1,771
Total other comprehensive loss	(948)	(807)	(697)	(5,206)
Comprehensive income (loss)	$ 321	$ (134)	$ 3,037	$ (2,733)

	Three Months Ended March 31,	
	2024	**2023**
Net earnings	$ 2,377	$ 1,153
Other comprehensive (loss) income:		
Change in unrealized loss on debt securities:		
Unrealized (loss) gain arising during the period	(513)	715
Amortization of unrealized loss on debt securities transferred to held-to-maturity	—	1
Other comprehensive (loss) income before income taxes	(513)	716
Deferred income tax benefit (taxes)	131	(177)
Total other comprehensive (loss) income	(382)	539
Comprehensive income	$ 1,995	$ 1,692

See accompanying notes to condensed consolidated financial statements.

3

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Stockholders’ Equity
Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023
(Dollars in thousands)

	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity	Shares	Amount
	Preferred Stock						Additional		Accumulated		Preferre	
	Series A		Series B		Common Stock		Paid-In	Accumulated	Comprehensive	Stockholders’	Series A	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity	Shares	Amount
Balance at December 31, 2021 (audited)	—	—	760	—	4,775,281	$ 48	65,193	(26,096)	(635)	$ 38,510		
Proceeds from the sale of preferred stock (unaudited)	—	—	260	—	—	—	6,500	—	—	6,500		
Proceeds from the sale of common stock (unaudited)	—	—	—	—	1,227,331	12	5,511	—	—	5,523		
Net change in unrealized loss on debt securities available for sale (unaudited)	—	—	—	—	—	—	—	—	(2,078)	(2,078)		
Amortization of unrealized loss on debt securities transferred to held-to-maturity (unaudited)	—	—	—	—	—	—	—	—	7	7		
Net earnings (unaudited)	—	—	—	—	—	—	—	855	—	855		
Balance at March 31, 2022 (unaudited)	—	—	1,020	—	6,002,612	$ 60	77,204	(25,241)	(2,706)	49,317		
Stock-based Compensation (unaudited)	—	—	—	—	24,493	—	96	—	—	96		

Net change in unrealized loss on debt securities available for sale (unaudited)	—	—	—	—	—	—	—	—	(2,332)	(2,332)
Amortization of unrealized loss on debt securities transferred to held-to-maturity (unaudited)	—	—	—	—	—	—	—	—	4	4
Net earnings (unaudited)	—	—	—	—	—	—	—	945	—	945
Balance at June 30, 2022 (unaudited)	—	$ —	1,020	$ —	6,027,105	$ 60	$ 77,300	$ (24,296)	$ (5,034)	$ 48,030
Stock-based Compensation (unaudited)	—	—	—	—	67,182	1	274	—	—	275
Proceeds from the sale of common stock (unaudited)	—	—	—	—	674,222	7	3,027	—	—	3,034
Net change in unrealized loss on debt securities available for sale (unaudited)	—	—	—	—	—	—	—	—	(808)	(808)
Amortization of unrealized loss on debt securities transferred to held-to-maturity (unaudited)	—	—	—	—	—	—	—	—	1	1
Net earnings (unaudited)	—	—	—	—	—	—	—	673	—	673
Balance at September 30, 2022 (unaudited)	—	$ —	1,020	$ —	6,768,509	$ 68	$ 80,601	$ (23,623)	$ (5,841)	$ 51,205

Balance at December 31, 2022 (audited)	—	$ —	1,360	$ —	7,058,897	$ 71	$ 90,408	$ (22,073)	$ (5,826)	$ 62,580	—	$ —
Additional allowance recognized due to adoption of Topic 326	—	—	—	—	—	—	—	(181)	—	(181)	—	—
Proceeds from the sale of common stock (unaudited)	—	—	—	—	72,221	—	324	—	—	324	—	—
Stock-based Compensation (unaudited)	—	—	—	—	119,101	1	489	—	—	490	—	—
Net change in unrealized loss on debt securities available for sale (unaudited)	—	—	—	—	—	—	—	—	538	538	—	—
Amortization of unrealized loss on debt securities transferred to held-to-maturity (unaudited)	—	—	—	—	—	—	—	—	1	1	—	—
Net earnings (unaudited)	—	—	—	—	—	—	—	1,153	—	1,153	—	—
Balance at March 31, 2023 (unaudited)	—	$ —	1,360	$ —	7,250,219	$ 72	$ 91,221	$ (21,101)	$ (5,287)	$ 64,905	—	—
Balance at December 31, 2023 (audited)											—	$ —
Balance											—	$ —
Proceeds from sale of preferred stock (net of offering costs of $118) (unaudited)											—	—
Proceeds from sale of common stock (net of offering costs of $339) (unaudited)											—	—
Proceeds from sale of common stock (unaudited)											—	—

Stock-based Compensation (unaudited)											—	—
Net change in unrealized loss on debt securities available for sale (unaudited)	—	—	—	—	—	—	—	—	(289)	(289)	—	—
Amortization of unrealized loss on debt securities transferred to held-to-maturity (unaudited)	—	—	—	—	—	—	—	—	1	1		
Net earnings (unaudited)	—	—	—	—	—	—	—	1,312	—	1,312	—	—
Balance at June 30, 2023 (unaudited)	—	$ —	1,360	$ —	7,250,219	$ 72	$ 91,221	$ (19,789)	$ (5,575)	$ 65,929		
Balance at March 31, 2024 (unaudited)											—	$ —
Balance	—	$ —	1,360	$ —	7,250,219	$ 72	$ 91,221	$ (19,789)	$ (5,575)	$ 65,929	—	$ —
Net change in unrealized loss on debt securities available for sale (unaudited)	—	—	—	—	—	—	—	—	(950)	(950)		
Amortization of unrealized loss on debt securities transferred to held-to-maturity (unaudited)	—	—	—	—	—	—	—	—	2	2		
Net earnings (unaudited)	—	—	—	—	—	—	—	1,269	—	1,269		
Balance at September 30, 2023 (unaudited)	—	$ —	1,360	$ —	7,250,219	$ 72	$ 91,221	$ (18,520)	$ (6,523)	$ 66,250		
Balance	—	$ —	1,360	$ —	7,250,219	$ 72	$ 91,221	$ (18,520)	$ (6,523)	$ 66,250		

See accompanying notes to condensed consolidated financial statements.

4

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net earnings	$ 3,734	$ 2,473
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Credit loss expense	2,970	2,757
Depreciation and amortization	172	172
Deferred income taxes	857	845
Net accretion of fees, premiums and discounts	6	(283)
Stock-based compensation expense	490	371
Decrease in accrued interest receivable	(338)	(231)
Amortization of right of use asset	203	278
Net decrease in operating lease liabilities	(177)	(268)
Increase in other assets	(1,148)	(138)
(Decrease) increase in other liabilities	(226)	775
Net cash provided by operating activities	6,543	6,751
Cash flows from investing activities:		
Principal repayments of debt securities available for sale	976	1,814
Principal repayments of debt securities held-to-maturity	151	469
Net increase in loans	(99,134)	(186,880)
Purchases of premises and equipment	(489)	(201)
Purchase of FHLB stock	(284)	(1,932)
Net cash used in investing activities	(98,780)	(186,730)
Cash flows from financing activities:		
Net increase in deposits	110,475	129,745
Net increase in FHLB Advances	—	50,000
Net increase in FRB Advances	13,600	—
Proceeds from sale of preferred stock	—	6,500
Proceeds from sale of common stock	324	8,557
Net cash provided by financing activities	124,399	194,802
Net increase in cash and cash equivalents	32,162	14,823
Cash and cash equivalents at beginning of the period	71,836	58,970
Cash and cash equivalents at end of the period	$ 103,998	$ 73,793
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 7,888	$ 1,640
Income taxes	$ 457	$ —
Noncash transactions:		
Change in accumulated other comprehensive loss, net change in unrealized loss on debt securities available for sale, net of income taxes	$ (697)	$ (5,206)
Amortization of unrealized loss on debt securities transferred to held-to-maturity	$ 4	$ 12
Reduction stockholders' equity due to adoption of Topic 326, net	(181)	—
Right-of use lease assets obtained in exchange for operating lease liabilities	$ 315	$ —

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flows from operating activities:		
Net earnings	$ 2,377	$ 1,153
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Credit loss expense	1,057	820
Depreciation and amortization	55	57

Deferred income taxes	(75)	397
Net accretion of fees, premiums and discounts	(62)	8
Stock-based compensation expense	307	490
(Increase) Decrease in accrued interest receivable	(516)	17
Amortization of right of use asset	70	65
Net decrease in operating lease liabilities	(63)	(56)
Increase in other assets	(502)	(2,590)
Decrease in other liabilities	(104)	(332)
Net cash provided by operating activities	2,544	29
Cash flows from investing activities:		
Principal repayments of debt securities available for sale	233	232
Principal repayments of debt securities held-to-maturity	24	42
Net increase in loans	(76,316)	(19,299)
Purchases of premises and equipment	(259)	(240)
Redemption (Purchase) of FHLB stock	900	(754)
Net cash used in investing activities	(75,418)	(20,019)
Cash flows from financing activities:		
Net increase in deposits	158,828	19,488
Net (decrease) increase in FHLB Advances	(22,000)	15,000
Net decrease in FRB Advances	(245)	—
Proceeds from sale of preferred stock (net of offering costs of $118)	1,932	—
Proceeds from sale of common stock (net of offering costs of $339)	8,803	324
Net cash provided by financing activities	147,318	34,812
Net increase in cash and cash equivalents	74,444	14,822
Cash and cash equivalents at beginning of the period	76,663	71,836
Cash and cash equivalents at end of the period	$ 151,107	$ 86,658
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,875	$ 2,327
Income taxes	$ 454	$ —
Noncash transactions:		
Change in accumulated other comprehensive loss, net change in unrealized loss on debt securities available for sale, net of income taxes	$ (382)	$ 538
Amortization of unrealized loss on debt securities transferred to held-to-maturity	$ —	$ 1
Reduction stockholders' equity due to adoption of Topic 326, net	—	(181)
Right-of use lease assets obtained in exchange for operating lease liabilities	$ —	$ 315

See accompanying notes to condensed consolidated financial statements.

(1) *General.* OptimumBank Holdings, Inc. (the "Company") is a one-bank holding company and owns 100% of OptimumBank (the "Bank"), a Florida-chartered community 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. The Bank also markets its deposit and electronic funds transfer services on a national basis to merchant cash advance providers.

Basis of Presentation. In the opinion of management, the accompanying condensed consolidated financial statements of the Company contain all adjustments (consisting principally of normal recurring accruals) necessary to present fairly the financial position at September 30, 2023 March 31, 2024, and the results of operations and cash flows for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022. 2023. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024, are not necessarily indicative of the results to be expected for the full year.

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

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Unrealized loss on debt securities available for sale	$ (8,723)	$ (7,786)	$ (7,619)	$ (7,106)
Unamortized portion of unrealized loss related to debt securities available for sale transferred to securities held-to-maturity	(14)	(18)	(13)	(13)
Income tax benefit	2,214	1,978	1,935	1,804
Accumulated other comprehensive loss	$ (6,523)	$ (5,826)	$ (5,697)	$ (5,315)

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

Adoption of New Accounting Standards. The Company adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, and the related amendments (collectively, Accounting Standards Codification 326), effective January 1, 2023. The guidance replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to certain off-balance sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credits, financial guarantees, and other similar instruments. In addition, Accounting Standards Codification 326 ("ASC 326") made changes to the accounting for debt securities available for sale. One such change is to require credit losses to be presented as an allowance rather than as a write-down on debt securities available for sale that management does not intend to sell or believes that it is more likely than not, they will not be required to sell. ASC 326 also changed the accounting for purchased financial assets with credit deterioration.

(continued)

(1) *General, Continued.*

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of CECL resulted in the recognition of $218,000 allowance for credit losses, $23,000 of liability for unfunded commitments, a deferred income tax asset of $60,000 and a reduction in retained earnings of $181,000. With this transition method, the Company did not have to restate comparative prior periods presented in the consolidated financial statements related to ASC 326 but will present comparative prior periods disclosures using the previous accounting guidance for the allowance for loan losses. The Company adopted ASC 326 using the prospective transition approach for debt securities available for sale. As of January 1, 2023, the Company did not have any allowance for credit losses on debt securities.

Allowance for Credit Losses ("ACL"). The following is a summary of the Company's significant accounting policies with respect to ASC 326:

ACL - Debt Securities Available for Sale. Management uses a systematic methodology to determine its ACL for debt securities available for sale. Each quarter management evaluates impairment where there has been a decline in fair value below the amortized cost basis to determine whether there is a credit loss associated with the decline in fair value. The Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either one of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which the fair value is less than the amortized cost basis, among various other factors, including the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis, an ACL is recorded, which is limited by the amount that the fair value is less than the amortized cost basis. Credit losses are calculated individually, rather than collectively. Any impairment that has not been recorded through an ACL is recognized in other comprehensive loss.

Changes in the ACL are recorded as credit loss expense. Losses are charged against the ACL when management believes the collectability of the debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on the debt securities available for sale and does not record an ACL on accrued interest receivable. As of September 30, 2023, the accrued interest receivable for debt securities available for sale recognized in accrued interest receivable was $139,000.

ACL – Debt Securities Held to Maturity. The Company measures expected credit losses on debt securities held to maturity on a collective basis by major security type. U.S. Government agency securities, Mortgage-backed securities and collateralized mortgage obligations are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. Taxable municipal securities are highly rated by major credit agencies.

(continued)

(1) *General, Continued.*

ACL - Loans. The ACL reflects management's estimate of losses that will result from the inability of our borrowers to make required loan payments. The Company records loans charged-off against the ACL when management believes the uncollectability of a loan balance is confirmed and subsequent recoveries, if any, increase the ACL when they are recognized.

Management uses systematic methodologies to determine its ACL for loans and certain off- balance sheet credit exposures. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. Management estimates the ACL using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of the expected credit losses. Adjustments to historical loss information are made for the differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The Company's estimate of its ACL involves a high degree of judgment; therefore, management's process for determining expected credit losses may result in a range of expected credit losses.

The Company's ACL recorded in the balance sheet reflects management's best estimate of expected credit losses. The Company recognizes in earnings the amount needed to adjust the ACL for management's current estimate of expected credit losses. The Company's ACL is calculated using collectively evaluated and individually evaluated loans.

The ACL is measured on a collective pool basis when similar risk characteristics exist. Loans with similar risk characteristics are grouped into homogenous segments for analysis. The Company's ACL is measured based on FDIC call report codes as these types of loans exhibit similar risk characteristics. The loan portfolio is further segmented by loan product type, collateral codes, occupancy codes, property code or lien position and are representative of the manner in which the Company lends.

The ACL for each segment is measured through the use of the average charge-off method. In accordance with the average charge-off method, an annual loss rate is applied to the amortized cost of an asset or pool of assets over the remaining expected life. The annual loss rate consists of historical and forecasted loss components. The forecasted component is applied using loss rates from historical periods that management believes are representative of economic conditions over a full economic cycle. For certain loan segments with limited credit loss histories, management determined the loss experience of peer banks provides the best basis for its assessment of expected credit losses. Other loan segments with more established loss histories utilize historical loss experience of the Company. Management determined that the appropriate historical loss period will begin in the first quarter of 2001 and continue through the most recent quarter, which represents a full peak to peak economic cycle. Additionally, management has determined that the Company's reasonable and supportable forecast period is one year.

Included in its systematic methodology to determine its ACL, management considers the need to qualitatively adjust model results for risk factors that are not considered within the Company's loss estimation process but are nonetheless relevant in assessing the expected credit losses within our loan pools.

(continued)

(1) *General, Continued.*

These qualitative factors ("Q-Factors") may increase or decrease management's estimate of expected credit losses by a calculated percentage based upon the estimated level of risk. The various risks that may be considered in making Q-Factor adjustments include, among other things, the impact of 1) changes in lending policies and procedures, including changes in underwriting standards; 2) changes in international, national, regional and local economic conditions; 3) changes in the volume and severity of past due and nonaccrual status; 4) the effect of any concentrations of credit and changes in the levels of such concentrations; 5) changes in the experience, depth, and ability of lending management; 6) changes in nature and volume of the portfolio; 7) trends in underlying collateral values; 8) changes in the quality of the loan review system and 9) the effect of other external factors (i.e., competition, legal and regulatory requirements) on the level of estimated credit losses.

The annual loss rates, as defined above, adjusted for Q-Factors, are applied to the amortized loan balances over each subsequent period and aggregated to arrive at the General ACL. The amortized loan balances are adjusted based on management's estimate of loan repayments in future periods.

When a loan no longer shares similar risk characteristics with its segment, the asset is assessed to determine whether it should be included in another segment or should be individually evaluated. Under ASC 326, the Company has adopted the collateral maintenance practical expedient to measure the ACL based on the fair value of collateral. Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining ACL. A Specific ACL is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for selling costs, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required. Financial assets that have been individually evaluated can be returned to a pool for purposes of estimating the expected credit loss to the extent their credit profile improves and that the repayment terms were not considered to be unique to the asset.

Management measures expected credit losses over the contractual term of a loan. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies:

- Management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower.
- The extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company follows its nonaccrual policy by reversing contractual interest income in the consolidated statements of income when the Company places a loan on nonaccrual status. Therefore, management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on the portfolio and does not record an ACL on accrued interest receivable. As of September 30, 2023, the accrued interest receivable for loans was $1,625,000.

(continued)

(1) *General, Continued.*

Prior to the adoption of ASC 326, the allowance for loan losses represented management's best estimate of inherent losses that had been incurred within the existing portfolio of loans. The allowance for loan losses included allowance allocations calculated in accordance with ASC 310, "Receivables" and allowance allocations calculated in accordance with ASC 450, "Contingencies."

ACL - Off -Balance Sheet Credit Exposures. The Company has a variety of assets that have a component that qualifies as an off-balance sheet exposure. These primarily include commitments to extend credit, construction loans, standby letters of credit, and unfunded commitments under revolving lines of credit. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. Management has determined that a majority of the Company's off-balance-sheet credit exposures are not unconditionally cancellable.

The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their expected lives. Management used its judgement to determine funding rates. Management applied the funding rates, along with the loss factor rate determined for each pooled loan segment, to unfunded loan commitments, excluding unconditionally cancellable exposures and letters of credit, to arrive at the reserve for unfunded loan commitments.

As of September 30, 2023, the liability recorded for expected credit losses on unfunded commitments was $359,000 and is included in "other liabilities" on the accompanying condensed consolidated balance sheets. The current adjustment to the ACL for unfunded commitments is recognized through credit loss expense in the condensed consolidated statements of earnings.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At September 30, 2023:				
Available for sale:				
SBA Pool Securities	$ 742	$ —	$ 16	$ 726
Collateralized mortgage obligations	138	—	20	118
Taxable municipal securities	16,701	—	5,509	11,192
Mortgage-backed securities	14,226	—	3,178	11,048
Total	$ 31,807	$ —	$ 8,723	$ 23,084
Held-to-maturity:				
Collateralized mortgage obligations	$ 380	$ —	45	$ 335
Mortgage-backed securities	13	—	—	13
Total	$ 393	$ —	45	$ 348

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At March 31, 2024:				
Available for sale:				
SBA Pool Securities	$ 675	$ —	$ (16)	$ 659
Collateralized mortgage obligations	134	—	(18)	116
Taxable municipal securities	16,682	—	(4,779)	11,903
Mortgage-backed securities	13,708	—	(2,806)	10,902
Total	$ 31,199	$ —	$ (7,619)	$ 23,580
Held-to-maturity:				
Collateralized mortgage obligations	$ 336	$ —	(39)	$ 297
Mortgage-backed securities	—	—	—	—
Total	$ 336	$ —	(39)	$ 297

(continued)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2022:				
Available for sale:				
SBA Pool Securities	$ 834	$ 1	$ 18	$ 817
Collateralized mortgage obligations	145	—	15	130
Taxable municipal securities	16,729	—	5,109	11,620
Mortgage-backed securities	15,180	—	2,645	12,535
Total	$ 32,888	$ 1	$ 7,787	$ 25,102
Held-to-maturity:				
Collateralized mortgage obligations	$ 475	$ —	35	$ 440
Mortgage-backed securities	65	—	1	64
Total	$ 540	$ —	36	$ 504

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2023:				
Available for sale:				
SBA Pool Securities	$ 706	$ —	$ (16)	$ 690
Collateralized mortgage obligations	138	—	(15)	123
Taxable municipal securities	16,690	—	(4,480)	12,210
Mortgage-backed securities	13,927	—	(2,595)	11,332
Total	$ 31,461	$ —	$ (7,106)	$ 24,355
Held-to-maturity:				
Collateralized mortgage obligations	$ 353	$ —	(35)	$ 318
Mortgage-backed securities	7	1	—	8
Total	$ 360	$ 1	(35)	$ 326

As of September 30, 2023 March 31, 2024, debt securities with a fair value of $11.2 11.3 million were pledged as collateral to the Federal Reserve. There were no sales of debt securities during the nine three months ended September 30, 2023 March 31, 2024, and 2022. 2023.

Debt securities available for sale 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 September 30, 2023:				
Available for Sale:				
SBA Pool Securities	16	725	—	—
Collateralized mortgage obligation	20	119	—	—
Taxable municipal securities	5,509	11,192	—	—
Mortgage-backed securities	3,178	11,048	—	—
Total	$ 8,723	$ 23,084	$ —	$ —

	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
At March 31, 2024:				
Available for Sale:				
SBA Pool Securities	16	659	—	—
Collateralized mortgage obligation	—	—	18	116
Taxable municipal securities	4,779	11,903	—	—
Mortgage-backed securities	2,806	10,902	—	—
Total	$ 7,601	$ 23,464	$ 18	$ 116

	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized	Fair	Gross Unrealized	Fair

	Losses	Value	Losses	Value
At December 31, 2022:				
Available for Sale :				
SBA Pool Securities	18	657	—	—
Collateralized mortgage obligation	—	—	15	130
Taxable municipal securities	5,109	11,620	—	—
Mortgage-backed securities	2,621	12,292	24	243
Total	$ 7,748	$ 24,569	$ 39	$ 373

	Over Twelve Months		Less Than Twelve Months	
	Gross Unrealized Losses	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
At December 31, 2023:				
Available for Sale :				
SBA Pool Securities	16	690	—	—
Collateralized mortgage obligation	—	—	15	123
Taxable municipal securities	4,480	12,210	—	—
Mortgage-backed securities	2,595	11,332	—	—
Total	$ 7,091	$ 24,232	$ 15	$ 123

(continued)

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

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the unrealized losses on forty-two forty-one and forty investment debt securities, respectively, were caused by interest-rate changes.

Management evaluates debt securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the financial condition and near-term prospects of the issuer including looking at default and delinquency rates, (2) the outlook for receiving the contractual cash flows of the investments, (3) the length of time and the extent to which the fair value has been less than cost, (4) the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value, (5) the anticipated outlook for changes in the general level of interest rates, (6) credit ratings, (7) third party guarantees, and (8) collateral values. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, the results of reviews of the issuer's financial condition, and the issuer's anticipated ability to pay the contractual cash flows of the investments.

The Company performed an analysis that determined that the mortgage-backed securities, collateralized mortgage obligations, and U.S. government securities, have a zero expected credit loss as they have the full faith and credit backing of the U.S. government or one of its agencies. Municipal bonds that do not have a zero expected credit loss are evaluated at least quarterly to determine whether there is a credit loss associated with a decline in fair value. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 all municipal securities were rated as investment grade. All debt securities in an unrealized loss position as of September 30, 2023 March 31, 2024 continue to perform as scheduled and the Company does not believe that there is a credit loss or that credit loss expense is necessary. Also, as part of our evaluation of our intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, the Company considers our investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. The Company does not currently intend to sell the investments within the portfolio, and it is not more-likely-than-not that a sale will be required.

Management continues to monitor all of our investments with a high degree of scrutiny. There can be no assurance that in a future period, conditions may exist at that time indicating that some or all of the Company's securities may be sold that would require a charge to earnings as credit loss expense in such period.

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Residential real estate	$ 58,285	$ 50,354	$ 70,814	$ 71,400
Multi-family real estate	68,000	69,555	64,793	67,498
Commercial real estate	358,404	310,695	493,602	422,680
Land and construction	28,913	17,286	52,688	32,600
Commercial	26,997	5,165	33,867	41,870
Consumer	41,217	30,323	40,134	44,023
Total loans	581,816	483,378	755,898	680,071
Deduct:				
Net deferred loan fees, and costs	(1,030)	(367)	(1,247)	(1,294)
Allowance for credit losses	(7,200)	(5,793)	(8,281)	(7,683)
Loans, net	$ 573,586	$ 477,218	$ 746,370	$ 671,094

(continued)

(continued)

(3) ***Loans, Continued.***

An analysis of the change in the allowance for credit losses follows (in thousands):

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Total
Three Months Ended September 30, 2023:							
Balance June 30, 2023	$ 883	$ 1,037	$ 2,802	$ 680	$ 135	$ 1,108	$ 6,645
Credit loss expense	(113)	184	620	194	102	337	1,324
Charge-offs	—	—	—	—	(10)	(872)	(882)
Recoveries	—	—	—	—	—	113	113
Ending balance (September 30, 2023)	$ 770	$ 1,221	$ 3,422	$ 874	$ 227	$ 686	$ 7,200
Three Months Ended September 30, 2022:							
Beginning balance	$ 514	$ 619	$ 2,340	$ 71	$ 67	$ 632	$ 4,243
(Credit) provision for loan losses	34	129	754	(1)	(2)	460	1,374
Charge-offs	—	—	—	—	—	(446)	(446)
Recoveries	—	—	—	—	—	41	41
Ending balance (September 30, 2022)	$ 548	$ 748	$ 3,094	$ 70	$ 65	$ 687	$ 5,212
Nine Months Ended September 30, 2023:							
Beginning balance Dec 31, 2022	$ 768	$ 748	$ 3,262	$ 173	$ 277	$ 565	$ 5,793
Additional allowance recognized due to adoption of Topic 326	33	327	(367)	278	(262)	209	218
Balance January 1, 2023	$ 801	$ 1,075	$ 2,895	$ 451	$ 15	$ 774	$ 6,011
Credit loss expense	(31)	146	527	423	177	1,393	2,635
Charge-offs	—	—	—	—	(52)	(1,676)	(1,728)
Recoveries	—	—	—	—	87	195	282
Ending balance (September 30, 2023)	$ 770	$ 1,221	$ 3,422	$ 874	$ 227	$ 686	$ 7,200
Nine Months Ended September 30, 2022:							
Beginning balance	$ 482	$ 535	$ 1,535	$ 32	$ 74	$ 417	$ 3,075
Provision for loan losses	66	213	1,559	38	25	856	2,757
Charge-offs	—	—	—	—	(90)	(655)	(745)
Recoveries	—	—	—	—	56	69	125
Ending balance (September 30, 2022)	$ 548	$ 748	$ 3,094	$ 70	$ 65	$ 687	$ 5,212

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Total
Three Months Ended March 31, 2024:							
Balance Dec 31, 2023	$ 1,020	$ 1,041	$ 3,793	$ 1,019	$ 281	$ 529	$ 7,683
Credit loss (expense) income	(49)	(12)	315	493	(30)	414	1,131
Charge-offs	—	—	—	—	(17)	(618)	(635)
Recoveries	—	—	—	—	—	102	102
Ending balance (March 31, 2024)	$ 971	$ 1,029	$ 4,108	$ 1,512	$ 234	$ 427	$ 8,281

During the period ended March 31, 2024, the company recognized $74,000 of credit loss income related to unfunded loan commitments.

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	**Commercial**	Consumer	Total
Three Months Ended March 31, 2023							
Beginning balance Dec 31, 2022	768	748	3,262	173	277	565	5,793
Additional allowance recognized due to adoption of Topic 326	33	327	(367)	278	(262)	209	218
Balance January 1, 2023	$ 801	$ 1,075	$ 2,895	$ 451	$ 15	$ 774	$ 6,011
Credit loss (expense) income	(59)	2	135	82	37	568	765
Charge-offs	—	—	—	—	(26)	(437)	(463)
Recoveries	—	—	—	—	—	40	40

Ending balance (March 31, 2023)	$ 742	$ 1,077	$ 3,030	$ 533	$ 26	$ 945	$ 6,353

(continued)

(3) *Loans, Continued.*

	Residential Real Estate	Multi-Family Real Estate	Commercial Real Estate	Land and Construction	Commercial	Consumer	Total
At December 31, 2022:							
Individually evaluated for impairment:							
Recorded investment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Balance in allowance for loan losses	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment:							
Recorded investment	$ 50,354	$ 69,555	$ 310,695	$ 17,286	$ 5,165	$ 30,323	$ 483,378
Balance in allowance for loan losses	$ 768	$ 748	$ 3,262	$ 173	$ 277	$ 565	$ 5,793

(continued)

(3) ***Loans, Continued.*** The Company has divided the loan portfolio into six portfolio segments, each with different risk characteristics and methodologies for assessing risk. All loans are underwritten based upon standards set forth in the policies approved by the Bank's Board of Directors. The Company identifies the portfolio segments as follows:

Residential Real Estate, Multi-Family Real Estate, Commercial Real Estate, Land and Construction. Residential real estate loans are underwritten based on repayment capacity and source, value of the underlying property, credit history and stability. The Company offers first and second one-to-four family mortgage loans; the collateral for these loans is generally the clients' owner-occupied residences. Although these types of loans present lower levels of risk than commercial real estate loans, risks do still exist because of possible fluctuations in the value of the real estate collateral securing the loan, as well as changes in the borrowers' financial condition. Multi-family and commercial real estate loans are secured by the subject property. Underwriting 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 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. 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 mitigates these risks through its underwriting standards.

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

(continued)

(3) *Loans, Continued.* Age analysis of past-due loans is as follows (in thousands):

	Accruing Loans						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Past	Total Past Due	Current	Nonaccrual Loans	Total Loans
At March 31, 2024:							
Residential real estate	$ —	$ —	$ —	$ —	$ 70,814	$ —	$ 70,814
Multi-family real estate	—	—	—	—	64,793	—	64,793
Commercial real estate	—	—	—	—	493,602	—	493,602
Land and construction	—	—	—	—	52,688	—	52,688
Commercial	—	—	—	—	33,867	—	33,867
Consumer	241	162	—	403	39,006	725	40,134
Total	$ 241	$ 162	$ —	$ 403	$ 754,770	$ 725	$ 755,898

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Past	Total Past Due	Current	Nonaccrual Loans	Total Loans
At December 31, 2023:							
Residential real estate	$ —	$ —	$ —	$ —	$ 71,400	$ —	$ 71,400
Multi-family real estate	—	—	—	—	67,498	—	67,498
Commercial real estate	—	—	—	—	422,680	—	422,680
Land and construction	—	—	—	—	32,600	—	32,600
Commercial	—	—	—	—	41,870	—	41,870
Consumer	230	208	—	438	42,560	1,025	44,023
Total	$ 230	$ 208	$ —	$ 438	$ 678,608	$ 1,025	$ 680,071

The Company has not made any modifications of loans to borrowers experiencing financial difficulties during the three months ended March 31, 2024 and 2024.

(continued)

(3) ***Loans, Continued.***

Term Loans
Amortized Cost Basis by Origination Year

Land and Construction	**March 31, 2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**(Amortized Cost Basis)**	**Loans (Amortized Cost Basis)**	**Total**
Pass	$ 1,740	$ 28,815	$ 14,802	$ 3,075	$ 1,477	$ 2,779	$ —	$ —	$ 52,688
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 1,740	$ 28,815	$ 14,802	$ 3,075	$ 1,477	$ 2,779	$ —	$ —	$ 52,688
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential real estate									
Pass	—	21,343	25,564	9,685	4,657	8,818	747	—	70,814
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ —	$ 21,343	$ 25,564	$ 9,685	$ 4,657	$ 8,818	$ 747	$ —	$ 70,814
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(continued)

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

Schedule of Term Loans
Amortized Cost Basis by Credit Quality Origination Year

	Pass	OLEM (Other Loans Especially Mentioned)	Sub-Standard	Doubtful	Loss	Total
At September 30, 2023:						
Residential real estate	$ 58,285	$ —	$ —	$ —	$ —	$ 58,285
Multi-family real estate	68,000	—	—	—	—	68,000
Commercial real estate	357,190	—	1,214	—	—	358,404
Land and construction	28,913	—	—	—	—	28,913
Commercial	26,997	—	—	—	—	26,997
Consumer	40,192	—	1,025	—	—	41,217
Total	$ 579,577	$ —	$ 2,239	$ —	$ —	$ 581,816
At December 31, 2022:						
Residential real estate	$ 50,354	$ —	$ —	$ —	$ —	$ 50,354
Multi-family real estate	69,555	—	—	—	—	69,555
Commercial real estate	309,458	—	1,237	—	—	310,695
Land and construction	17,286	—	—	—	—	17,286
Commercial	5,165	—	—	—	—	5,165
Consumer	30,323	—	—	—	—	30,323
Total	$ 482,141	$ —	$ 1,237	$ —	$ —	$ 483,378

	March 31, 2024	2023	2022	2021	2020	Prior	(Amortized Cost Basis)	Loans (Amortized Cost Basis)	Total
Multi-family real estate									
Pass	$ —	$ 592	$ 28,187	$ 26,760	$ 6,036	$ 3,218	$ —	$ —	$ 64,793
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ —	$ 592	$ 28,187	$ 26,760	$ 6,036	$ 3,218	$ —	$ —	$ 64,793
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial real estate (CRE)									
Pass	$ 75,640	$ 124,695	$ 200,370	$ 51,817	$ 13,989	$ 25,892	$ —	$ —	$ 492,403
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	1,199	—	—	—	1,199
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 75,640	$ 124,695	$ 200,370	$ 51,817	$ 15,188	$ 25,892	$ —	$ —	$ 493,602
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial									
Pass	$ 1,442	$ 28,623	$ 1,939	$ 1,208	$ 619	$ 36	$ —	$ —	$ 33,867
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 1,442	$ 28,623	$ 1,939	$ 1,208	$ 619	$ 36	$ —	$ —	$ 33,867
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ (17)	$ —	$ —	$ (17)
Consumer									
Pass	$ 160	$ 7,718	$ 5,649	$ 2,607	$ 126	$ 71	$ 23,078	$ —	$ 39,409
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	725	—	725
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 160	$ 7,718	$ 5,649	$ 2,607	$ 126	$ 71	$ 23,803	$ —	$ 40,134
Current period Gross write-offs	$ —	$ (224)	$ (266)	$ (124)	$ —	$ (4)	$ —	$ —	$ (618)

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 net 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 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 is as follows (in thousands):

	Accruing Loans						
	30-59 Days Past Due	**60-89 Days Past Due**	**Greater Than 90 Days Past Past**	**Total Past Due**	**Current**	Nonaccrual Loans	**Total Loans**
At September 30, 2023:							
Residential real estate	$ —	$ —	$ —	$ —	$ 58,285	$ —	$ 58,285
Multi-family real estate	—	—	—	—	68,000	—	68,000
Commercial real estate	—	—	—	—	358,404	—	358,404
Land and construction	—	—	—	—	28,913	—	28,913
Commercial	—	—	—	—	26,997	—	26,997
Consumer	376	209	—	585	39,607	1,025	41,217
Total	$ 376	$ 209	$ —	$ 585	$ 580,206	$ —	$ 581,816
At December 31, 2022:							
Residential real estate	$ —	$ —	$ —	$ —	$ 50,354	$ —	$ 50,354
Multi-family real estate	—	—	—	—	69,555	—	69,555
Commercial real estate	—	—	—	—	310,695	—	310,695
Land and construction	—	—	—	—	17,286	—	17,286
Commercial	—	—	—	—	5,165	—	5,165
Consumer	150	27	—	177	30,146	—	30,323
Total	$ 150	$ 27	$ —	$ 177	$ 483,201	$ —	$ 483,378

The Company has not made any modifications of loans to borrowers experiencing financial difficulties during the nine months ended September 30, 2023.

No loans have been determined to be troubled debt restructurings (TDR's) during the nine-month period ended September 30, 2022. At September 2022, there were no loans modified and entered into as TDR's within the past twelve months, that subsequently defaulted during the nine-month periods ended September 30, 2022.

(continued)

(3) *Loans, Continued.*

Term Loans
Amortized Cost Basis by Origination Year

Construction and land real estate	Term Loans Amortized Cost Basis by Origination Year: September 30, 2023	2022	2021	2020	2019	Prior	Revolving Loans (Amortized Cost Basis)	Revolving Loans Converted to Term Loans (Amortized Cost Basis)	Total
Pass	$ 8,272	$ 15,048	$ 2,461	$ 1,498	$ 1,634	$ -	$ —	$ —	$ 28,913
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 8,272	$ 15,048	$ 2,461	$ 1,498	$ 1,634	$ —	$ —	$ —	$ 28,913
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential real estate									
Pass	$ 7,350	$ 26,438	$ 9,804	$ 4,875	$ 4,072	$ 4,999	$ 747	$ —	$ 58,285
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 7,350	$ 26,438	$ 9,804	$ 4,875	$ 4,072	$ 4,999	$ 747	$ —	$ 58,285
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(continued)

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements (Unaudited)

(3) *Loans, Continued.*

Term Loans
Amortized Cost Basis by Origination Year

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	
Construction and land real estate	**September 30, 2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**(Amortized Cost Basis)**	**(Amortized Cost Basis)**	**Total**
Multi-family real estate									
Pass	$ 998	$ 29,296	$ 28,227	$ 6,136	$ 2,078	$ 1,265	$ —	$ —	$ 68,000
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 998	$ 29,296	$ 28,227	$ 6,136	$ 2,078	$ 1,265	$ —	$ —	$ 68,000
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial real estate (CRE)									
Pass	$ 60,424	$ 200,281	$ 54,637	$ 15,503	$ 12,710	$ 13,635	$ —	$ —	$ 357,190
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	1,214	—	—	—	1,214
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 60,424	$ 200,281	$ 54,637	$ 15,503	$ 13,924	$ 13,635	$ —	$ —	$ 358,404
Current period Gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial business loans									
Pass	$ 23,149	$ 1,781	$ 1,371	$ 645	$ 51	$ —	$ —	$ —	$ 26,997
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 23,149	$ 1,781	$ 1,371	$ 645	$ 51	$ —	$ —	$ —	$ 26,997
Current period Gross write-offs	$ (26)	$ —	$ —	$ —	$ —	$ (26)	$ —	$ —	$ (52)
Consumer									
Pass	$ 9,357	$ 8,048	$ 4,291	$ 191	$ 162	$ —	$ 18,143	$ —	$ 40,192
OLEM (Other Loans Especially Mentioned)	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	1,025	—	1,025
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Subtotal loans	$ 9,357	$ 8,048	$ 4,291	$ 191	$ 162	$ —	$ 19,168	$ —	$ 41,217
Current period Gross write-offs	$ (164)	$ (770)	$ (739)	$ (3)	$ —	$ —	$ —	$ —	$ (1,676)

(continued)

(4) ***Earnings Per Share.*** Basic earnings per share have been computed on the basis of the weighted-average number of shares of common stock outstanding during the periods. During the three- and nine-months three months periods ended September 30, 2023 March 31, 2024 and 2022, basic 2023, Series C convertible Preferred, each share of Series C Convertible Preferred can be converted into one share of common stock under specific and limited circumstances at any time at the option of the holder. The conversion feature is considered to be diluted earnings per share (EPS) in accordance with ASC 260. The dilutive effect is calculated using the same as there were no outstanding potentially dilutive securities. Earnings per common share have been computed based on the following: if-converted method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted-average number of common shares outstanding used to calculate basic and diluted earnings per common share	$ 7,250,218	$ 6,065,648	$ 7,234,793	$ 5,661,056

	Three Months Ended March 31,					
	2024			2023		
(dollars in thousands, except per share amounts)	Earnings	Weighted Average Shares	Amount	Earnings	Weighted Average Shares	Amount
Basic EPS:						
Net earnings	$ 2,377	7,616,305	$ .31	$ 1,153	7,204,168	$ .16
Effect of conversion of series C preferred shares		17,328			—	
Diluted EPS:						
Net earnings	$ 2,377	7,633,633	$ .31	$ 1,153	7,204,168	$ .16

(5) ***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 (the "2018 Plan"). The plan has been approved by the shareholders. The Company is currently authorized to issue up to 1,050,000 shares of common stock under the 2018 Plan, due to an amendment to increase the number of authorized shares from 500,000 to 1,050,000 that was approved by shareholders in June 2023. At September 30, 2023 March 31, 2024, 539,320 466,269 shares remain available for grant.

During the nine-month three-month period ended September 30, 2023 March 31, 2024, the Company issued 73,050 shares to employees for services performed and recorded compensation expense of $307,000.
During the first quarter ended March 31, 2023, the Company issued 66,479 shares to a director for services performed and recorded compensation expense of $274,000.

During the nine-month period first quarter ended September 30, 2023 March 31, 2023, the Company issued 52,622 shares to employees for services performed and recorded compensation expense of $216,000.

During the nine-month period ended September 30, 2022, the Company recorded compensation expense of $275,000 with respect to 67,183 shares issued to a director and an executive officer for services performed.
During the nine-month period ended September 30, 2022, the Company recorded compensation expense of $96,000 with respect to 24,493 shares issued to certain employees for services performed.

(continued)

(6) ***Fair Value Measurements.***

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 September 30, 2023:				
SBA Pool Securities	$ 726	$ —	$ 726	—
Collateralized mortgage obligations	118	—	118	—
Taxable municipal securities	11,192	—	11,192	—
Mortgage-backed securities	11,048	—	11,048	—
Total	$ 23,084	—	$ 23,084	—
At December 31, 2022:				
SBA Pool Securities	$ 817	$ —	$ 817	—
Collateralized mortgage obligations	130	—	130	—
Taxable municipal securities	11,620	—	11,620	—
Mortgage-backed securities	12,535	—	12,535	—
Total	$ 25,102	—	$ 25,102	—

		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 March 31, 2024:				
SBA Pool Securities	$ 659	$ —	$ 659	$ —
Collateralized mortgage obligations	116	—	116	—
Taxable municipal securities	11,903	—	11,903	—
Mortgage-backed securities	10,902	—	10,902	—
Total	$ 23,580	$ —	$ 23,580	$ —
At December 31, 2023:				
SBA Pool Securities	$ 690	$ —	$ 690	$ —
Collateralized mortgage obligations	123	—	123	—
Taxable municipal securities	12,210	—	12,210	—
Mortgage-backed securities	11,332	—	11,332	—
Total	$ 24,355	$ —	$ 24,355	$ —

(7) ***Fair Value of Financial Instruments.*** The estimated fair values and fair value measurement method with respect to the Company's financial instruments were as follows (in thousands):

	At September 30, 2023			At December 31, 2022		
	Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value	Level
Financial assets:						
Cash and cash equivalents	$ 103,998	$ 103,998	1	$ 71,836	$ 71,836	1
Debt securities available for sale	23,084	23,084	2	25,102	25,102	2
Debt securities held-to-maturity	393	348	2	540	504	2
Loans	573,586	526,269	3	477,218	476,566	3
Federal Home Loan Bank stock	884	884	3	600	600	3
Accrued interest receivable	1,782	1,782	3	1,444	1,444	3
Financial liabilities:						
Deposit liabilities	618,374	621,865	3	507,899	512,357	3
Federal Home Loan Bank advances	10,000	9,482	3	10,000	9,450	3
Federal Reserve Bank advances	13,600	13,590	3	—	—	3
Off-balance sheet financial instruments	—	—	3	—	—	3

	At March 31, 2024			At December 31, 2023		
	Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value	Level
Financial assets:						

Cash and cash equivalents	$ 151,107	$ 151,107	1	$ 76,663	$ 76,663	1
Debt securities available for sale	23,580	23,580	2	24,355	24,355	2
Debt securities held-to-maturity	336	297	2	360	326	2
Loans	746,370	723,733	3	671,094	652,965	3
Federal Home Loan Bank stock	2,454	2,454	3	3,354	3,354	3
Accrued interest receivable	2,990	2,990	3	2,474	2,474	3
Financial liabilities:						
Deposit liabilities	798,409	799,312	3	639,581	645,426	3
Federal Home Loan Bank advances	40,000	39,533	3	62,000	61,565	3
Federal Reserve Bank advances	13,355	13,282	3	13,600	13,592	3
Off-balance sheet financial instruments	—	—	3	—	—	

(continued)

(8) ***Off- Balance Sheet Financial Instruments.*** The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit, 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 condensed 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 non-performance 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 Bank 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 Bank 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 September 30, 2023 March 31, 2024 follows (in thousands):

Commitments to extend credit	$	11,480	$ 9,117
Unused lines of credit	$	78,219	$ 63,691
Standby letters of credit	$	4,301	$ 4,390

(9) ***Regulatory Matters.*** The Bank is subject to various regulatory capital requirements administered by the bank regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

(continued)

(9) ***Regulatory Matters, Continued.***

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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)		Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	%	Amount	%	Amount	%	Amount	%
As of September 30, 2023:								
As of March 31, 2024:								
Tier 1 Capital to Total Assets	70,762	10.98 %	58,000	9.00 %	$ 88,272	10.20 %	$ 77,912	9.00 %
As of December 31, 2022:								
As of December 31, 2023:								
Tier 1 Capital to Total Assets	66,291	11.29 %	52,865	9.00 %	$ 74,999	10.00 %	$ 67,499	9.00 %

(10) ***Series B and C Preferred Stock***

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 Stock 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. As of September 30, 2023 March 31, 2024 the Series B Preferred Stock is convertible into 11,113,889 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 must not result in any holder of the Series B Preferred Stock and any persons with whom the holder may be acting in concert, becoming the beneficial owners of more than 9.9%9.9% of the outstanding shares of the Company's common stock, unless the issuance, shall have been approved by all banking regulatory authorities whose approval is required for the acquisition of such shares. The number of shares issuable upon conversion is subject to adjustment based on the terms of the Series B Preferred Stock. The Series B Preferred has preferential liquidation rights over common stockholders. The liquidation price is the greater of $25,000 per share of Series B Preferred or such amount per share of Series B Preferred that would have been payable had all shares of the Series B Preferred been converted into common stock pursuant to the terms of the Series B Preferred Stock's 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.

The Series B Preferred Stock are subdivided into three categories. The Company is authorized to issue 760 shares of Series B-1; 260 shares of Series B-2; and 500 shares of Series B-3.
Each series category of the Series B preferred stock has substantially the same rights, preferences, powers, restrictions and limitations, except that the initial conversion price of the Series B-1 is $2.50 per share; the initial conversion price for Series B-2 is $4.00 per share, and the initial conversion price for Series B-3 is $4.50 per share.

During the Annual Meeting of Shareholders held on June 27, 2023, the Company's shareholders approved the issuance of up to 11,113,889 shares of common stock upon conversion of the Series B preferred stock previously issued by the Company. Any such conversion is also subject to receipt of any required regulatory approvals by appropriate state and federal bank regulatory agencies.

On March 8, 2024, the Company's board of directors approved the issuance of up to 4,000,000 of Series C Preferred Stock. As of March 31, 2024, each share of the Series C Preferred Stock is convertible into one share of common stock, at the option of the holder, provided that upon such conversion the holder, together with all affiliates of the holder, will not own or control in the aggregate more than 9.9% of the outstanding shares of the Company's common stock.
During the first quarter of 2024, the company issued 525,641 of Series C Preferred Stock to an unrelated party at cash price of $3.90 per share, or an aggregate of $2,049,999.

(continued)

(11) ***Contingencies*****.** Various claims arise from time to time in the normal course of business. In the opinion of management, none have occurred that will have a material effect on the Company's condensed consolidated financial statements.

During the nine-months ended September 30, 2023 the Company incurred a one-time expense related to the settlement of foreclosure litigation in the amount of $375,000.

(continued)

***(12) Borrowings**.*

The maturities and interest rates on the Federal Home Loan Bank (“FHLB”) and Federal Reserve Bank (“FRB”) advances were as follows (dollars in thousands)

At September 30, 2023:	**Maturity Year Ending**	**Interest Rate**	**September 30, 2023**	**December 31, 2022**
FRB	2024	5.46 %	13,600	-
FHLB	2025	1.01 %	10,000	10,000

At March 31, 2024:	**Maturity Year Ending**	**Interest Rate**	**March 31, 2024**	**December 31, 2023**
FRB	2024	4.89 %	$ 13,355	$ 13,600
FHLB	2024	4.96 %	30,000	30,000
FHLB	2024	5.57 %	—	22,000
FHLB	2025	1.01 %	10,000	10,000
			$ 53,355	$ 75,600

At September 30, 2023 March 31, 2024, FHLB Advances are is structured as 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 September 30, 2023 March 31, 2024, the Company had remaining credit availability of $148 158 million. At September 30, 2023 March 31, 2024, the Company had loans pledged with a carrying value of $157 239 million as collateral for FHLB advances.

In addition, the Bank has a line of credit with the Federal Reserve Bank which is secured by investment securities with fair value of $11.2 11.3 million as of September 30, 2023 March 31, 2024. FRB borrowings bear interest at variable rates based on the Federal Open Market Committee’s target range for the federal funds rate. Based on this collateral, the Company borrowed $13.6 13.3 million from the FRB at September 30, 2023 March 31, 2024.

(continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto presented elsewhere in this report. For additional information, refer to the consolidated financial statements and footnotes for the year ended December 31, 2022 December 31, 2023, in the Annual Report on Form 10-K.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of the Company, including adverse changes in economic, political and market conditions, losses from the Company's lending activities, increases in interest rates, the possible loss of key personnel, the impact of increasing competition, the impact of changes in government regulation, the possibility of liabilities arising from violations of federal and state securities laws and the impact of changes in technology in the banking industry. Although the Company believes that its forward-looking statements are based upon reasonable assumptions regarding its business and future market conditions, there can be no assurances that the Company's actual results will not differ materially from any results expressed or implied by the Company's forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any forward-looking statements are not guarantees of future performance.

Strategic Plan

Our key strategic initiatives are designed to generate continued growth in earning assets, core transaction and savings deposits, treasury management fee income, and lower costs. Continued emphasis on expansion of our footprint and exploring additional lines of business are also part of our plans.

On During the loan side, second quarter, we intend to limit our growth in loans and other illiquid assets. Therefore, we do not expect a material increase in our loan balances during the coming quarter. However we expect to continue our focus on increasing our originating multi-family, non-owner occupied, commercial real estate, and skilled nursing facility loan portfolios. loans. As to deposits, we are focused on increasing our on-balance sheet liquidity by identifying deposit growth opportunities among our existing customer base and prospects throughout Florida and the United States. With respect to treasury management, our focus will remain on merchant cash advance providers and the related electronic funds transfer line of business. For this revenue source to increase further in a meaningful way, automation will be necessary in order to further improve efficiency. We are currently investing in the necessary technology to achieve this end.

Going forward, our strategic plan will be to continue to emphasize and build upon initiatives focused on strengthening internal controls, credit oversight and credit administrative processes and procedures. Moreover, management continues to identify loan growth opportunities, subject to the above caveat, that are designed to improve overall profitability without sacrificing credit quality and underwriting standards. This growth oriented strategic direction is expected to be facilitated by maintaining credit administration objectives including a risk-based and comprehensive credit culture and a credit administrative infrastructure that reinforces appropriate risk management practices.

During the third first quarter of 2023, 2024, the Bank commenced offering U.S. Small Business Administration ("SBA") SBA 7A loans. SBA 7A loans are generally used to establish a new business or assist in the acquisition, operation, or expansion of an existing business. With SBA loan programs, there are set eligibility requirements and underwriting standards outlined by SBA that can change as the government alters its fiscal policy. These loans are generally secured by accounts receivable, inventory, equipment, and real estate. The Bank hired two full-time SBA staff. At September 30, 2023 March 31, 2024, SBA 7A loans amounted to $300,000. $1.4 million. The Bank intends to sell the guaranteed portion of the SBA loans.

Additionally, management has implemented initiatives that have enabled us to grow our loan portfolio primarily with locally generated relationships in the non-owner occupied, multi-family and commercial real estate sectors. However, out-of-area loans and loan pool purchases will be considered as deemed appropriate and subject to proper due diligence to further increase interest income and for portfolio diversification purposes.

Capital Levels

As of September 30, 2023 March 31, 2024, the Bank is well capitalized under regulatory guidelines.

Refer to Note 9 for the Bank's actual and required minimum capital ratios.

(continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Financial Condition at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023

Overview

The Company's total assets increased by approximately $128 million $149 million to $713 million $941 million at September 30, 2023 March 31, 2024, from $585 million $791 million at December 31, 2022 December 31, 2023, primarily due to increases in loans, and cash and cash equivalents. The growth in assets was attributable to the success of the Company's efforts to increase loans and deposits from new customers. Net loans grew by $96 million $75 million to $574 million $746 million at September 30, 2023 March 31, 2024, from $477 million $671 million at December 2022. 2023. Deposits grew by approximately $110 million $159 million to $618 million $798 million at September 30, 2023 March 31, 2024, from $508 million $640 million at December 31, 2022 December 31, 2023. Total stockholders' equity increased by approximately $3.7 million $13.3 million to $66.3 million $83.3 million at September 30, 2023 March 31, 2024, from $62.6 million $70.0 million at December 31, 2022 December 31, 2023, primarily due to net earnings and proceeds from common stock sales, partially offset by changes in unrealized loss on debt securities available for sale.

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

	Nine Months Ended September 30, 2023	Year Ended December 31, 2022	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Average equity as a percentage of average assets	10.5%	9.9%	8.4%	10.1%
Equity to total assets at end of period	9.3%	10.7%	8.8%	8.8%
Return on average assets (1)	0.8%	0.9%	1.1%	1.0%
Return on average equity (1)	7.7%	8.6%	13.1%	9.6%
Noninterest expenses to average assets (1)	2.4%	2.1%	2.2%	2.3%

(1) Annualized for the nine three months ended September 30, 2023 March 31, 2024.

Liquidity and Sources of Funds

The Company's sources of funds include customer deposits, advances from the Federal Home Loan Bank of Atlanta ("FHLB"), principal repayments and sales of debt securities, loan repayments, the use of Federal Funds markets, net earnings, and loans taken out at the Federal Reserve Bank discount window.

Our liquidity is derived primarily from our deposit base, scheduled amortization and prepayments of loans and investment securities, funds provided by operations, and capital. Additionally, as a commercial bank, we are expected to maintain an adequate liquidity position. The liquidity position may consist of cash on hand, cash on demand deposit with correspondent banks, federal funds sold, and unpledged marketable securities such as United States government treasury and agency securities, municipal securities, U.S. agency mortgage-backed securities, and asset-backed securities. Some of our securities are pledged to the Federal Reserve Bank. The market value of securities pledged to the Federal Reserve Bank, Term Funding Program was $11.2 million $11.3 million at September 30, 2023 March 31, 2024.

The Company increased deposits by approximately $110 million $159 million during the nine-month three-month period ended September 30, 2023 March 31, 2024. The proceeds were used to originate new loans.

(continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

In addition to obtaining funds from depositors, the Company may borrow funds from other financial institutions. At September 30, 2023 March 31, 2024, the Company had outstanding borrowings of $10 million $40 million, against its $158 million $198 million in established borrowing capacity with the FHLB. The Company's borrowing facility is subject to collateral and stock ownership requirements, as well as prior FHLB consent to each advance. The Company also has a $13.6 million $13.3 million advance with the Federal Reserve that matures in August 2024. January 2025. At September 30, 2023 March 31, 2024, the Company also had available lines of credit amounting to $25 million $29.5 million with six correspondent banks to purchase federal funds. Disbursements on the lines of credit are subject to the approval of the correspondent banks. We measure and monitor our liquidity daily and believe our liquidity sources are adequate to meet our operating needs.

Off-Balance Sheet Arrangements

Refer to Note 8 in the condensed consolidated financial statements for Off-Balance Sheet Arrangements.

Results of Operations

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest income; (iv) interest-rate spread; (v) net interest margin; and (vi) the ratio of average interest-earning assets to average interest-bearing liabilities.

	Three Months Ended September 30,						Three Months Ended March 31,					
	2023			2022			2024			2023		
(dollars in thousands)	Average Balance	Interest and Dividends	Average Yield/ Rate[5]	Average Balance	Interest and Dividends	Average Yield/ Rate[5]	Average Balance	Interest and Dividends	Average Yield/ Rate[5]	Average Balance	Interest and Dividends	Average Yield/ Rate[5]
Interest-earning assets:												
Loans	$ 544,540	$ 7,996	5.87 %	$ 398,914	$ 5,000	5.01 %	$ 706,678	$ 11,836	6.70 %	$ 492,658	$ 6,589	5.35 %
Securities	24,732	167	2.70 %	27,862	153	2.20 %	24,166	170	2.81 %	25,876	178	2.75 %
Other [1]	55,140	739	5.36 %	60,600	341	2.25 %	106,395	1,459	5.49 %	61,050	749	4.90 %
Total interest-earning assets/interest income	624,412	8,902	5.70 %	487,376	5,494	4.51 %	837,239	13,465	6.43 %	579,584	7,516	5.19 %
Cash and due from banks	11,523			15,944			15,151			16,949		
Premises and equipment	1,180			860			1,474			989		
Other	1,701			4,434			5,454			4,974		
Total assets	$ 638,816			$ 508,614			$ 859,318			$ 602,496		
Interest-bearing liabilities:												
Savings, NOW and money-market deposits	$ 179,776	1,102	2.45 %	$ 147,259	138	0.37 %	$ 318,987	2,356	2.95 %	$ 121,779	271	0.89 %
Time deposits	168,428	1,739	4.13 %	97,638	665	2.72 %	201,257	2,721	5.41 %	238,537	2,161	3.62 %
Borrowings [2]	18,878	147	3.11 %	71,804	386	2.15 %	58,541	637	4.35 %	10,167	25	0.98 %
Total interest-bearing liabilities/interest expense	367,082	2,988	2.06 %	316,701	1,189	1.50 %	578,785	5,714	3.95 %	370,483	2,457	2.65 %
Noninterest-bearing demand deposits	200,516			140,282			202,801			165,081		
Other liabilities	5,043			2,989			5,422			3,307		
Stockholders' equity	66,175			48,642			72,310			63,625		
Total liabilities and stockholders' equity	$ 638,816			$ 508,614			$ 859,318			$ 602,496		
Net interest income		$ 5,914			$ 4,305			$ 7,751			$ 5,059	

Interest rate spread (3)	3.64 %	3.01 %	2.48 %	2.54 %
Net interest margin (4)	3.79 %	3.53 %	3.70 %	3.49 %
Ratio of average interest-earning assets to average interest-bearing liabilities	1.70	1.54	1.45	1.56

(1) Includes interest-earning deposits with banks and Federal Home Loan Bank stock dividends.
(2) Includes Federal Home Loan Bank advances and Federal Reserve Bank advances.
(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(4) Net interest margin is net interest income divided by average interest-earning assets.
(5) Annualized.

(continued)

	Nine Months Ended September 30,					
	2023			2022		
(dollars in thousands)	Average Balance	Interest and Dividends	Average Yield/ Rate[5]	Average Balance	Interest and Dividends	Average Yield/ Rate[5]
Interest-earning assets:						
Loans	$ 517,513	$ 21,837	5.63 %	$ 320,276	$ 12,027	5.01 %
Securities	25,421	517	2.71 %	30,638	475	2.07 %
Other [1]	58,247	2,243	5.13 %	58,822	480	1.09 %
Total interest-earning assets/interest income	601,181	24,597	5.46 %	409,736	12,982	4.22 %
Cash and due from banks	14,141			15,499		
Premises and equipment	1,108			861		
Other	4,367			4,711		
Total assets	$ 620,797			$ 430,807		
Interest-bearing liabilities:						
Savings, NOW and money-market deposits	$ 143,815	1,768	1.64 %	$ 161,405	424	0.35 %
Time deposits	212,114	6,061	3.81 %	41,944	724	2.30 %
Borrowings [2]	13,124	203	2.06 %	38,151	549	1.92 %
Total interest-bearing liabilities/interest expense	369,053	8,032	2.90 %	241,500	1,697	0.94 %
Noninterest-bearing demand deposits	181,890			141,379		
Other liabilities	4,850			2,727		
Stockholders' equity	65,004			45,201		
Total liabilities and stockholders' equity	$ 620,797			$ 430,807		
Net interest income		$ 16,565			$ 11,285	
Interest rate spread [3]			2.56 %			3.29 %
Net interest margin [4]			3.67 %			3.67 %
Ratio of average interest-earning assets to average interest-bearing liabilities	1.63			1.70		

(1) Includes interest-earning deposits with banks and Federal Home Loan Bank stock dividends.
(2) Includes Federal Home Loan Bank advances and Federal Reserve Bank advances.
(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(4) Net interest margin is net interest income divided by average interest-earning assets.
(5) Annualized.

(continued)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Comparison of the Three-Month Periods Ended September 30, 2023 March 31, 2024, and 2022 2023

	Three Months Ended September 30,		Increase / (Decrease)		Three Months Ended March 31,		Increase / (Decrease)	
(dollars in thousands)	2023	2022	Amount	Percentage				
(dollars in thousands, except per share amounts)					2024	2023	Amount	Percentage
Total interest income	$ 8,902	$ 5,494	$ 3,408	62%	$ 13,465	$ 7,516	$ 5,949	79%
Total interest expense	2,988	1,189	1,799	151%	5,714	2,457	3,257	133%
Net interest income	5,914	4,305	1,609	37%	7,751	5,059	2,692	53%
Credit loss expense	1,446	1,374	72	5%	1,057	820	237	29%
Net interest income after provision for loan losses	4,468	2,931	1,537	52%	6,694	4,239	2,455	58%
Total noninterest income	911	692	219	32%	1,239	729	510	70%
Total noninterest expenses	3,651	2,720	931	34%	4,709	3,422	1,287	38%
Net earnings before income taxes	1,728	903	825	91%	3,224	1,546	1,678	109%
Income taxes	459	230	229	100%	847	393	454	116%
Net earnings	$ 1,269	$ 673	596	89%	$ 2,377	$ 1,153	1,224	106%
Net earnings per share - Basic and diluted	$ 0.18	$ 0.11						
Net earnings per share - Basic					$ .31	$ .16		
Net earnings per share - Diluted					$ .31	$ .16		

Net earnings. Net earnings for the three months ended September 30, 2023 March 31, 2024, were $1.3 million $2.4 million or $.18 $.31 per basic and diluted share compared to net earnings of $673,000 $1.2 million or $.11 $.16 per basic and diluted share for the three months ended September 30, 2022 March 31, 2023. The increase in net earnings during the three months ended September 30, 2023 March 31, 2024 compared to three months ended September 30, 2022 March 31, 2023 is primarily attributed to an increase in net interest income and non-interest income, partially offset by the increase in non-interest expense.

Interest income. Interest income increased $3.4 million $5.9 million to $13.5 million for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 due primarily to growth in the loan portfolio and increases in yields on interest earning assets.

Interest expense. Interest expense increased $1.8 million $3.3 million to $3.0 million $5.7 million for the three months ended September 30, 2023 March 31, 2024, compared to the three months ended September 30, 2022 March 31, 2023, primarily due to an increase in interest bearing deposit rates and changes in the composition of deposits. deposits and increase in the average balances.

Credit loss expense. Expected credit loss expense was $1.4 million increased $237,000 to $1 million for the three months ended September 30, 2023 March 31, 2024, and September 30, 2022 compared to the three months ended March 31, 2023, respectively. The expected credit loss expense is charged to earnings as losses are expected to have occurred in order to bring the total allowance for credit losses to a level deemed appropriate by management to absorb losses expected. Management’s periodic evaluation of the adequacy of the allowance for credit losses is based upon historical experience, the volume and type of lending conducted by the Company, adverse situations that may affect the borrower’s ability to repay, estimated value of the underlying collateral, 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 credit losses totaled $7.2 million $8.3 million or 1.24% 1.10% of loans outstanding at September 30, 2023 March 31, 2024, compared to $5.8 million $7.6 million or 1.20% 1.13% of loans outstanding at December 31, 2022 December 31, 2023. The increase in the credit loss expense during the third first quarter of 2023 2024 was primarily due to loan volume growth and the evaluation of the other factors noted above. During the three-months ended September 30, 2023 March 31, 2024, the net charge off amounting to $769,000 $534,000 resulted from consumer lending.

Noninterest income. Total noninterest income increased to $911,000 $1.2 million for the three months ended September 30, 2023 March 31, 2024, from $692,000 $729,000 for the three months ended September 30, 2022 March 31, 2023, due to increased wire transfer and ACH fees during third first quarter of 2023. 2024.

Noninterest expenses. Total noninterest expenses increased to $3.7 million $4.7 million for the three months ended September 30, 2023 March 31, 2024, compared to $2.7 million $3.4 million for the three months ended September 30, 2022 March 31, 2023, primarily due to employee compensation and benefits, and data processing.

(continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)
Comparison of the Nine-Month Periods Ended September 30, 2023 and 2022

	Nine Months Ended September 30,		Increase / (Decrease)	
(dollars in thousands)	2023	2022	Amount	Percentage
Total interest income	$ 24,597	$ 12,982	$ 11,615	89%
Total interest expense	8,032	1,697	6,335	373%
Net interest income	16,565	11,285	5,280	47%
Credit loss expense	2,970	2,757	213	8%
Net interest income after provision for loan losses	13,595	8,528	5,067	59%
Total noninterest income	2,412	2,106	306	15%
Total noninterest expenses	10,975	7,320	3,655	50%
Net earnings before income taxes	5,032	3,314	1,718	52%
Income taxes	1,298	841	457	54%
Net earnings	$ 3,734	$ 2,473	1,261	51%
Net earnings per share - Basic and diluted	$ 0.52	$ 0.44		

***Net earnings*.** Net earnings for the nine months ended September 30, 2023, were $3.7 million or $.52 per basic and diluted share compared to net earnings of $2.5 million or $0.44 per basic and diluted share for the nine months ended September 30, 2022. The increase in net earnings during the nine months ended September 30, 2023 compared to nine months ended September 30, 2022 is primarily attributed to an increase in net interest income, partially offset by the increase in noninterest expense.

***Interest Income*.** Interest income increased $11.6 million for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due primarily to growth in the loan portfolio and increase in loan and fed funds yields.

Interest Expense. Interest expense increased $6.3 million to $8.0 million for the nine months ended September 30, 2023 compared to the nine-months ended September 30, 2022 as a result of an increase in deposits and rates.

Credit loss expense. Expected credit loss expense was $3.0 million for the nine months ended September 30, 2023, compared to $2.8 million for the nine months ended September 30, 2022. The allowance for credit losses totaled $7.2 million or 1.24% of loans outstanding at September 30, 2023, compared to $5.8 million or 1.20% of loans outstanding at December 31, 2022. The increase in the credit loss expense during the nine months ended September 30, 2023 was primarily due to loan volume growth and the evaluation of the other factors noted above. During the nine-months ended September 30, 2023, the net charge off amounting to $1.4 million primarily resulted from consumer lending.

Noninterest Income. Total noninterest income increased to $2.4 million for the nine months ended September 30, 2023, from $2.1 million for the nine months ended September 30, 2022 due to increased wire transfer and ACH fees related to an increase in business checking accounts during the nine-month period ended September 30, 2023.

***Noninterest Expenses*.** Total noninterest expenses increased to $11.0 million for the nine months ended September 30, 2023 compared to $7.3 million for the nine months ended September 30, 2022 primarily due to one-time litigation settlement, increase in salaries and employee benefits, data processing, and other operating costs. Not applicable.

Item 4. Controls and Procedures

The Company's management evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report, and based on this evaluation, the Principal Executive Officer and Principal Financial Officer concluded that these disclosure controls and procedures are effective.

There have been no significant changes in the Company's internal control over financial reporting during the quarter ended September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings.

Item 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the first nine three months of 2023, 2024, the Company issued 72,221 2,311,552 shares of its common stock in a private placement transaction to two nine accredited investors at a price of $4.50 ranging from $3.90 to $4.25 per share. None of these investors was an officer, director or affiliate of the Company. The Company issued these shares in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

During the first quarter of 2024, the Company issued a total of 525,641 shares of Series C preferred stock to a non-related party for a purchase price of $2,049,999. The issuance of the shares was 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 augment the Bank's regulatory capital ratios.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The disclosure contained under Part II, Item 2 is incorporated herein by reference.

Item 6. Exhibits

The exhibits listed in the Exhibit Index following the signature page are filed or furnished with or incorporated by reference into this report.

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY
SIGNATURES

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

OPTIMUMBANK HOLDINGS, INC.
(Registrant)

Date: November XX, 2023 May 13, 2024	By:	*/s/ Timothy Terry*
		Timothy Terry Principal Executive Officer
	By:	*/s/ Joel Klein*
		Joel Klein Principal Financial Officer

OPTIMUMBANK HOLDINGS, INC. AND SUBSIDIARY

EXHIBIT INDEX

Exhibit No.	Description
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	Article of Amendment to Articles of Incorporation, dated March 8, 2024 (incorporated by reference from Current Report on Form 8-K filed with the SEC on March 28, 2024)
3.3	Articles of Amendment to the Articles of Incorporation dated January 7, 2009 (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 8, 2024)
3.4	Articles of Amendment to the Articles of Incorporation dated April 13, 2016 (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 8, 2024)
3.5	Articles of Amendment to the Articles of Incorporation dated December 28, 2022 (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 8, 2024)
3.6	Articles of Amendment to the Articles of Incorporation dated October 30, 2023 (incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 8, 2024)
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 Annual Report on Form 10-K filed with the SEC on March 8, 2024)
4.3	Form of stock certificate (incorporated by reference from Quarterly Report on Form 10-QSB filed with the SEC on August 12, 2004)
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
32.2	Certification of Principal Financial Officer
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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-Q 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 are 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: November 9, 2023 May 13, 2024

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-Q 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, nor 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 are 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: November 9, 2023 May 13, 2024

10pt">

EXHIBIT 32.1

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 Quarterly Report of OptimumBank Holdings, Inc. (the "Company") on Form 10-Q for the nine three months ended September 30, 2023 March 31, 2024, 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: November 9, 2023 May 13, 2024

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 Quarterly Report of OptimumBank Holdings, Inc. (the “Company”) on Form 10-Q for the nine three months ended September 30, 2023 March 31, 2024, 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: November 9, 2023 May 13, 2024