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United States
Securities and Exchange Commission

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from to

Commission File Number 333-140448

MANHATTAN BANCORP

(Exact name of smaller reporting company as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	**20-5344927** (I.R.S. Employer Identification No.)

2141 Rosecrans Avenue, Suite 1160
El Segundo, California 90245
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: **(310) 606-8000**

Indicate by a check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

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

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

As of November 5, 2008, there were 2,615,806 shares of the issuer's common stock outstanding.

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Manhattan Bancorp
QUARTERLY REPORT ON FORM 10-Q
FOR
THE QUARTER ENDED SEPTEMBER 30, 2008

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Information

Manhattan Bancorp and Subsidiary
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and due from banks	$ 764,466	$ 398,333
Federal funds sold	5,715,000	8,565,000
Total cash and cash equivalents	6,479,466	8,963,333
Time deposits-other financial institutions	6,594,000	2,386,000
Investments securities-available for sale	6,599,005	6,148,695
Investments securities-held to maturity	989,714	987,275
Loans	48,693,920	18,198,570
Allowance for loan losses	(700,000)	(269,000)
Net loans	47,993,920	17,929,570
Property and equipment, net	1,419,870	1,581,811
Stock in other financial institutions	1,232,150	1,048,500
Accrued interest receivable and other assets	497,631	321,550
Total assets	$ 71,805,756	$ 39,366,734
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing demand	$ 13,123,976	$ 5,395,028
Interest bearing:		
Demand	1,596,449	1,143,269
Savings and money market	9,034,521	4,244,393
Certificates of deposit equal to or greater than $100,000	18,441,928	6,190,200
Certificates of deposit less than $100,000	4,877,624	889,429
Total deposits	47,074,498	17,862,319
FHLB advances	4,500,000	—
Accrued interest payable and other liabilities	564,395	315,481
Total liabilities	52,138,893	18,177,800
Commitments and contingencies	—	—
Stockholders' equity		
Serial preferred stock-no par value; 10,000,000 shares authorized; none outstanding in 2008 and 2007	—	—
Common stock-no par value; 10,000,000 shares authorized; issued and outstanding, 2,615,806 at September 30, 2008 and 2,487,631 at December 31, 2007	25,344,709	24,078,828
Additional paid in capital	778,457	266,908
Unrealized gain on available-for-sale securities	76,852	58,158
Accumulated deficit	(6,533,155)	(3,214,960)
Total stockholders' equity	19,666,863	21,188,934

Total liabilities and stockholders' equity	$ 71,805,756	$ 39,366,734

The accompanying notes are an integral part of this financial statement.

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Manhattan Bancorp and Subsidiary
Consolidated Statements of Operations
(Unaudited)

	For the three-month period ended September 30, 2008	For the three-month period ended June 30, 2008	For the nine-month period ended September 30, 2008	For the initial operating period ended September 30, 2007
Interest income				
Interest and fees on loans	$ 702,348	$ 543,551	$ 1,632,554	$ 21,024
Interest on investment securities	91,170	120,485	301,093	—
Interest on federal funds sold	86,244	20,319	164,941	136,854
Interest on time deposits-other financial institutions	28,828	11,544	65,911	—
Total interest income	908,590	695,899	2,164,499	157,878
Interest expense				
NOW, money market and savings	32,780	24,212	83,089	3,952
Time deposits	226,946	113,246	444,060	11,355
FHLB advances	50,377	2,190	52,567	—
Total interest expense	310,103	139,648	579,716	15,307
Net interest income	598,487	556,251	1,584,783	142,571
Provision for loan losses	102,000	163,000	431,000	102,000
Net interest income after provision for loan losses	496,487	393,251	1,153,783	40,571
Non-interest income	18,033	10,648	41,582	69
Non-interest expense				
Compensation and benefits	963,767	969,914	2,881,714	759,434
Occupancy and equipment	174,233	163,491	495,398	70,838
Technology and communication	134,490	125,111	384,433	32,572
Professional and administrative expenses	106,663	158,172	370,868	18,037
Other non-interest expenses	133,839	138,573	379,547	88,940
Total non-interest expenses	1,512,992	1,555,261	4,511,960	969,821
Loss before income taxes	(998,472)	(1,151,362)	(3,316,595)	(929,181)
Provision for income taxes	—	1,600	1,600	800
Net loss	$ (998,472)	$ (1,152,962)	$ (3,318,195)	$ (929,981)
Weighted average number of shares outstanding (basic and diluted)	2,615,806	2,517,210	2,540,491	1,451,052
Basic and diluted loss per share	$ (0.38)	$ (0.46)	$ (1.31)	$ (0.64)

The accompanying notes are an integral part of this financial statement.

Manhattan Bancorp and Subsidiary
Consolidated Statements of Stockholders' Equity
September 30, 2008 and 2007
(Unaudited)

(Unaudited)	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Comprehensive Loss	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2006	42,500	425,000	$ —	$ —	(269,392)	$ —	155,608
Issuance of common stock to founders	2,500	25,000					25,000
Organizational expenses				—	(732,544)		(732,544)
Net loss				—	(929,981)		(929,981)
Total comprehensive loss				$ —			
Balance at September 30, 2007	45,000	$ 450,000	$ —		$ (1,931,917)	$ —	$ (1,481,917)
Balance at December 31, 2007	2,487,631	$ 24,078,828	$ 266,908	$ —	$ (3,214,960)	$ 58,158	$ 21,188,934
Issuance of common stock in private placement	128,175	$ 1,265,881					$ 1,265,881
Share-based compensation expense			511,549				511,549
Unrealized gain on investment securities				18,694	—	18,694	18,694
Net loss				(3,318,195)	(3,318,195)		(3,318,195)
Total comprehensive loss				$ (3,299,501)			
Balance at September 30, 2008	2,615,806	$ 25,344,709	$ 778,457		$ (6,533,155)	$ 76,852	$ 19,666,863

The accompanying notes are an integral part of this financial statement.

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Manhattan Bancorp and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	For the nine-month period ended September 30, 2008	For the initial operating period ended September 30, 2007
Cash flows from operating activities		
Net loss including organizational expenses in 'date of inception' presentation	$ (3,318,195)	$ (929,981)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net change in:		
Depreciation and amortization	224,314	41,337
Provision for loan losses	431,000	102,000
Share-based compensation	511,549	73,307
(Increase) in accrued interest receivable and other assets	(190,671)	(387,735)
Increase in accrued interest payable and other liabilities	248,914	257,185
Net cash used in operating activities	(2,093,089)	(843,887)
Cash flows from investing activities		
Net (increase) in loans	(30,495,350)	(4,813,098)
Increase in time deposits - other financial institutions	(4,208,000)	—
Proceeds from repayment and maturities from investment securities	568,347	—
Purchase of investments	(987,812)	
Purchase of stock in other financial institutions	(183,650)	(1,025,000)
Purchase of premises and equipment	(62,373)	(1,416,343)
Net cash used in investing activities	(35,368,838)	(7,254,441)
Cash flows from financing activities		
Net increase (decrease) in:		
Demand deposits	7,728,948	2,189,913
Interest bearing demand deposits	453,180	38,882
Savings and money market deposits	4,790,128	2,007,736
Certificates of deposit equal to or greater than $100,000	12,251,728	2,523,082
Certificates of deposit less than $100,000	3,988,195	671,085
Organizational expenses		(732,544)
Increase from borrowings	4,500,000	—
Net proceeds from issuance of common stock	1,265,881	23,653,828
Net cash provided by financing activities	34,978,060	30,351,982
Net (decrease) increase in cash and cash equivalents	(2,483,867)	22,253,654
Cash and cash equivalents at beginning of period	8,963,333	206,423
Cash and cash equivalents at end of period	$ 6,479,466	$ 22,460,077
Supplementary information		
Interest paid on deposits	$ 511,713	$ 11,023

Income taxes paid	$ 1,600	$ 800

The accompanying notes are an integral part of this financial statement.

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MANHATTAN BANCORP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Note 1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements of Manhattan Bancorp (the “Bancorp”) and its wholly-owned subsidiary, Bank of Manhattan, N.A. (the “Bank”), together referred to as the “Company” have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, certain information and notes required by accounting principles generally accepted in the United States of America for annual financial statements are not included herein. In the opinion of Management, all adjustments considered necessary for a fair presentation of results for the interim periods presented have been included. These interim condensed consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Company’s 2007 Annual Report on Form 10-K as amended.

The condensed consolidated financial statements include accounts of the Bancorp and its wholly-owned financial subsidiary, Bank of Manhattan, N.A. For the period from June 19, 2006 (inception) to August 15, 2007, the Bancorp was in a development stage, engaging in the preparation of applications for regulatory approvals, raising capital, financial planning, systems development, acquisition of equipment and facilities, as well as recruiting activities. When the Bank commenced its operations, the Bancorp officially became a bank holding company. All net expenses, which were incurred during the period from June 19, 2006 through August 15, 2007, were pre-opening expenses and are reported in the statement of stockholders’ equity to facilitate the financial presentation of the Company. The Consolidated Statement of Operations included in the report provides no comparable statement for the three-month periods ended June 30, 2008, the three-month period ended September 30, 2008, or the nine-month period ended September 30, 2008, as the Company’s operations did not commence until August 15, 2007. However, a statement of operations has been included covering the period from August 15, 2007 through the end of September 30, 2007, a period of 46 days.

The preparation of consolidated condensed financial statements in conformity with the accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. All material intercompany accounts and transactions have been eliminated.

Certain amounts in prior presentations have been reclassified to conform to the current presentation. These reclassifications had no effect on shareholders’ equity, net loss or loss per share amounts.

Note 2. RECENT ACCOUNTING PRONOUNCEMENTS

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES: In July 2006, the Financial Accounting Standards Board (“FASB”) issued *FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109.”* FIN No. 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. FIN No. 48 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties. The adoption of FIN No. 48 as of January 1, 2007 did not impact the Company's financial statements.

In July, 2006, FASB issued FASB Staff Position ("FSP") No. 48-1 "*Definition of Settlement in FIN No. 48.*" FSP 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP 48-1 was effective retroactively as of January 1, 2007 and did not impact the Company's financial statement.

FAIR VALUE MEASUREMENTS: In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements."* SFAS No. 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. SFAS No. 157 is effective for the Company as of January 1, 2008 and is not expected to have a significant impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of SFAS 115."* SFAS No. 159 permits an entity to choose to measure financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 are elective; however the amendment of SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities,"* applies to all entities with available for sale or trading securities. For financial instruments elected to be accounted for at fair value, an entity will report the unrealized gains and losses in earnings. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company does not expect the adoption of SFAS No. 159 to have a material effect on the Company's consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position ("FSP') FAS 157-1, "*Application of FASB Statement No. 17 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13,*" and FSP FAS 157-2, "*Effective Date of FASB Statement No. 157."* FSP FAS 157-1 removes leasing from the scope of SFAS No. 157, "*Fair Value Measurements*." FSP FAS 157-2 delays the effective date of SFAS No. 157 from 2008 to 2009 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company does not expect the implementation of FSP-157-1 to have a material impact on its financial position, results of operations, or cash flows. Additionally, in accordance with FSP 157-2, the Company will delay the application of SFAS No. 157 for non-financial assets and non-financial liabilities until January 1, 2009 and does not expect the application to have a material effect on the Company's financial position, results of operations, or cash flows.

BUSINESS COMBINATIONS: In December 2007, the FASB issued SFAS No. 141(R), *"Business Combinations"* ("SFAS 141 (R)") and SFAS No.160, "*Accounting and Reporting of Noncontrolliing Interest in Consolidated Statements, an Amendment of ARB No. 51"* ("FASB 160"). SFAS 141(R) is required to be adopted concurrently with SFAS 160 and is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 31, 2008. This will be effective for the Company for the calendar year beginning

January 1, 2009. SFAS 141(R) and SFAS 160 are effective prospectively; however, the reporting provisions of SFAS 160 are effective retroactively. The Company does not currently have any business combinations scheduled and the Company's only consolidated subsidiary is wholly owned by the Company. Management, therefore, does not anticipate any impact on the Company's financial condition or results of operations from the adoption of these accounting pronouncements.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES: In May 2008, the FASB issued SFAS 162, "*The Hierarchy of Generally Accepted Accounting Principles.*" SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principals to be used in the preparation of the financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles ("GAAP") in the United States. The FASB issued SFAS No. 162 because the current GAAP hierarchy, as set forth in the American Institute of Certified Public Accountants ("AICPA") Statement of Auditing Standards No. 69, "*The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles,*" is directed to the auditor and not the entity, is complex, and ranks FASB Statements of Financial Concepts below industry practices that are widely recognized as generally accepted but that are not subject to due process. This statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board ("PCAOB") amendment to AU Section 411, "*The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.*" The Company does not anticipate the adoption of SFAS No. 162 to have a material impact of its financial position, results of operations, or cash flows.

Note 3. INTEREST-EARNING ASSETS WITH OTHER FINANCIAL INSTITUTIONS

At September 30, 2008, the Company had interest-earning deposits with other financial institutions of $6.6 million, with a weighted average yield of 2.84%, and an average weighted remaining life of approximately two and one-half months.

Note 4. INVESTMENT SECURITIES

Investment securities have been classified in the balance sheet according to management's intent. The following table sets forth the investment securities at their amortized cost and estimated fair value with gross unrealized gains and losses as of September 30, 2008 and December 31, 2007.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
September 30, 2008				
Available-for-sale securities:				
U.S. government and agency securities	$ 1,230	$ 5	$ —	$ 1,235
Mortgage-backed securities	5,292	72	—	5,364
Total available-for-sale securities	$ 6,522	$ 77	$ —	$ 6,599
Held-to-maturity securities:				
State and municipal securities	$ 990	$ —	$ —	$ 990

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
December 31, 2007				
Available-for-sale securities:				
U.S. government and agency securities	$ 1,230	$ 19	$ —	$ 1,249
Mortgage-backed securities	4,861	39	—	4,900
Total available-for-sale securities	$ 6,091	$ 58	$ —	$ 6,149
Held-to-maturity securities:				
State and municipal securities	$ 987	$ 4	$ 2	$ 989

The fair value of these securities is based upon quoted market prices unless otherwise indicated in Note 7, "*Fair Value – Adoption of SFAS No. 157*". There were no realized gains or losses for the nine-month period ended September 30, 2008. The net unrealized gain on available-for-sale securities included in accumulated other comprehensive income was approximately $19,000 for the nine-month period ended September 30, 2008. There is no comparable figure for the comparable nine-month period of 2007. No securities were pledged as December 31, 2007. However, available-for-sale securities with an amortized cost of approximately $6.0 million (fair value of approximately $6.1 million) were pledged as collateral for Federal Home Loan Bank advances as of September 30, 2008.

Management does not believe that any of the Company's investment securities are impaired due to reasons of credit quality. Declines in the fair value of available-for-sale securities below their cost, that are deemed to be other-than-temporary, are reflected in earnings as realized losses. In estimating other-than-temporary losses, management considers among other things: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At September 30, 2008, the Company had no securities with unrealized losses that were in a continual loss position.

Any intra-period decline in market values were attributable to changes in market rates of interest rather than credit quality, and because the Company has the ability and intent to hold all of its investments until a recovery of fair value, which may be at maturity, the Company considers none of its investments to be temporarily impaired at September 30, 2008.

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The amortized cost, estimated fair value and average yield of debt securities at September 30, 2008 are shown below. In the case of available-for-sale securities, the average yields are based on effective rates of book balances at year end. Yields are derived by dividing interest income, adjusted for amortization of premiums and accretion of discounts, by total amortized cost. Mortgage-backed securities are classified in accordance with estimated lives. Expected maturities may differ from contractual maturities because borrowers have the right to prepay obligations.

	Available-for-Sale Securities			Held-to Maturity Securities		
	Amortized Cost	Fair Value	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(dollars in thousands)					
Due in One Year or Less	$ 613	$ 620	5.16%	$ —	$ —	
Due from One Year to Five Years	2,500	2,530	5.16%	990	990	4.86%
Due from Five Years to Ten Years	2,478	2,502	5.66%			
Due after Ten Years	931	947	5.22%			
	$ 6,522	$ 6,599	5.36%	$ 990	$ 990	4.86%

Note 5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are summarized as follows:

	September 30, 2008		December 31, 2007	
(dollars in thousands)	Amount Outstanding	Percentage of Total	Amount Outstanding	Percentage of Total
Commercial loans	$ 18,442	37.8%	$ 7,876	43.3%
Real estate loans	26,526	54.5%	9,293	51.1%
Other loans	3,726	7.7%	1,030	5.6%
Total loans, including net loan costs	48,694	100.0%	18,199	100.0%
Less : allowance for loan losses	(700)		(269)	
Net loans	$ 47,994		$ 17,930	

The Company has had no impaired or non-accrual loans since it commenced business. There were no loans past due 90 days or more in either interest or principal as of September 30, 2008 and December 31, 2007.

The following table presents an analysis of changes in the allowance for loan losses during the periods indicated:

	For the Three Month Period September 30, 2008	For the Three Month Period June 30, 2008	For the Three Month Period March 31, 2008	For the Three Month Period December 31, 2007
	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Allowance balance at beginning of period	$598	$435	$269	$102
Additions to the allowance charged to expense	102	163	166	167
Recoveries	—	—	—	—
	700	598	435	269
Less loans charged-off	—	—	—	—
Allowance balance at end of period	$700	$598	$435	$269

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Note 6. STOCK-BASED COMPENSATION

During the nine-month period ended September 30, 2008, the Company recorded approximately $512,000 of stock-based compensation expense. At September 30, 2008, unrecorded compensation expense related to non-vested stock option grants totaled approximately $1.3 million and is expected to be recognized as follows:

	Stock Option Compensation Expense (in thousands)
Remainder of 2008	$ 176
2009	692
2010	444
2011	22
Total	$ 1,334

The Company uses the Black-Scholes option valuation model to determine the fair value of options. The Company utilizes assumptions on expected life, risk-free rate, expected volatility and dividend yield to determine such values. If grants were to occur, the Company would estimate the life of the options by calculating the average of the vesting period and the contractual life. The risk-free rate would be based upon treasury instruments in effect at the time of the grant whose terms are consistent with the expected life of the Company's stock options. Expected volatility would be based on historical volatility of other financial institutions within the Company's operating area as the Company has limited market history.

The following table summarizes the weighted average assumptions utilized for stock options granted for the period presented:

	Nine Months Ended September 30, 2008
Risk-free rate	3.32%
Expected Dividend Yield	0.00%
Expected term	6 years
Expected volatility	36.27%

The following table provides a summary of the aggregate intrinsic value of options outstanding and exercisable as well as options granted, exercised, and forfeited during the year to date period ended September 30, 2008 and September 30, 2007:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
2008				
Outstanding at December 31, 2007	531,770	$ 9.99		
Granted	53,550	$ 8.68		
Exercised	—	—		
Expired	—	—		
Forfeited	39,114	$ 9.99		
Outstanding at September 30, 2008	546,206	$ 9.85	8.97	$ 22,625
Options exercisable at September 30, 2008	157,796	$ 10.00	8.88	$ —
2007				

Outstanding at December 31, 2006	—	$	—			
Granted	512,670	$	10.00			
Exercised	—		—			
Expired	—		—			
Forfeited	—	$	—			
Outstanding at September 30, 2007	512,670	$	10.00	9.88	$	256,335
Options exercisable at September 30, 2007	—	$	—	—	$	—

Note 7. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". SFAS No. 157 clarifies the definition of fair value, describes methods used to appropriately measure fair value in accordance with generally accepted accounting principles in the United States of America, and expands fair value disclosure requirements. This statement applies whenever other accounting pronouncements require or permit fair value measurements. The fair value hierarchy under SFAS No. 157 prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (Level 1, Level 2, and Level 3). Level 1 inputs are unadjusted quoted prices in active markets (as defined) for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are observable inputs for the asset or liability, and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Company performs fair value measurements on certain assets and liabilities as the result of the application of accounting guidelines and pronouncements that were relevant prior to the adoption of SFAS No. 157. Some fair value measurements, such as for available-for-sale securities, are performed on a recurring basis.

The following table summarizes the Company's assets and liabilities, if any, which were measured at fair value on a recurring basis during the period, with dollars reported in thousands:

Description of Assets/Liabiltity	September 30, 2008	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	$ 6,599	$ —	$ 6,599	$ —

Available-for-sale securities are valued based upon inputs derived principally from observable market data. Changes in fair market value are recorded in other comprehensive income as the securities are available for sale.

Note 8. OTHER BORROWINGS

At September 30, 2008, the Company had a collateralized line of credit with the Federal Home Loan Bank ("FHLB") totaling $5.7 million against which it had outstanding $4.5 million consisting of a FHLB five-year fixed rate advance at 4.38% maturing on June 27, 2013.

Note 9. EARNINGS (LOSS) PER SHARE

The Company follows SFAS No. 128, "*Earnings per Share*". Basic earnings (loss) per share represents income available (loss reported) to common stock divided by the weighted average number of common shares outstanding during the period reported on the Statement of Operations. Diluted earnings (loss) per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed conversion. There were no dilutive potential common shares outstanding for any periods reported on the Statement of Operations.

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

Forward-Looking Statements

The statements contained in this Quarterly Report on Form 10-Q, that are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are based upon management's current expectations and beliefs concerning further developments and their potential effects on Manhattan Bancorp and its subsidiary. The Company's forward-looking statements involve risks and uncertainties, including the risks and uncertainties described under the caption "Factors Which May Affect Future Operating Results" found in the Company's December 31, 2007 10-K/A, ITEM 1A. Risk Factors. There can be no assurance that future developments affecting Manhattan Bancorp will be the same as those anticipated by management, and actual results may differ from those projected in the forward-looking statements. Statements regarding policies and procedures are not intended, and should not be interpreted to mean, that such policies and procedures will not be amended, modified, or repealed at any time in the future.

The Company

Manhattan Bancorp ("Bancorp") is a bank holding company, which was incorporated in August 2006 in order to acquire Bank of Manhattan, N.A. (the "Bank"), a de novo bank which was acquired on August 14, 2007. The Bank is a nationally-chartered banking association which was organized under the laws of the United States on August 15, 2007. The Bancorp operates exclusively through the Bank, and the capital stock of the Bank is its principal asset. The Bank is located in El Segundo, California and as of September 30, 2008 had $72 million in assets, $48 million in net loans receivable and $48 million in deposits. Unless the context requires otherwise, references in this Form 10-Q to the "Company," "we" or "us" refer to the Bancorp and its consolidated subsidiary, the Bank.

Earnings and Financial Condition Overview

It is customary to compare current quarter and year-to-date results with the corresponding periods in the prior year for earnings presentations. As the Company did not commence business until August 15, 2007, there are no corresponding figures for the first three full quarters of 2007. To facilitate a better understanding of the Company's financial position and the results of its operations, comparisons are being made to the prior three-month period ended June 30, 2008, where appropriate.

For the three-months ended September 30, 2008, the Company recorded a loss of $998,000 or $0.38 per basic share. Comparing the Company's second quarter loss of $1,153,000 or $0.46 per basic share with the current operating quarter reflects an approximate 13.4% reduction in the reported quarterly losses. Loan growth continued to remain solid although at a reduced level from previous quarters. Due to the deterioration in the general economy, the Company was cautious in granting new credit extensions. The quality of the loan portfolio, coupled with a reduction in the net growth in loans, permitted the Company to expense $102,000 as the amount necessary to maintain the allowance for loan losses at acceptable levels. Despite the effects of the declining general interest rate environment, the Company was able to reduce its operating loss with improvements in net interest income, a reduction in the amount of its loan loss provision while maintaining its adequacy, and the control of its operating costs.

Net interest income after provision for loan losses for the three-month period ended September 30, 2008 was approximately $496,000, an increase of approximately $103,000 over the prior three-month period. This 8% improvement in net interest income was primarily due to an increase in interest income, up approximately $213,000 or 31% for the three-month period ended September 30, 2008 over the previous three-month period ended June 30, 2008. However, due to the infusion of some short-term interest-bearing deposits, interest expense increased by approximately $170,000, or 122%, during the three-month period ended September 30, 2008 over the comparable three-month period ended June 30, 2008, offsetting much of the improvement from increased earning assets. The required provision for loan loss for the three-month period ending September 30, 2008 of $102,000, a reduction of approximately $61,000, increased the consecutive three-month period net interest income after provision to approximately $103,000, a 26% improvement from June 30, 2008.

Non-interest expense decreased approximately $42,000 from approximately $1.555 million in the three-month period ended June 30, 2008 to approximately $1.513 million in the three-month period ended September 30, 2008.

As of September 30, 2008, total assets were approximately $71.8 million. This represents an increase of approximately $32.4 million or 82.4% over the amount reported as of December 31, 2007. The growth in total assets can be attributed to an increase of approximately $30.5 million in gross loan balances or 167.6% from the approximately $18.2 million reported as of December 31, 2007.

Funding for the loan growth was obtained primarily from deposit growth and advances from the Federal Home Loan Bank, coupled with reductions in federal funds sold. At September 30, 2008, total deposits were approximately $47.1 million compared with the balance of approximately $17.9 million as of December 31, 2007. This represents an approximate $29.2 million increase or 163.5%. A five-year fixed rate Federal Home Loan Bank advance of $4.5 million not present as of December 31, 2007 also provided funding for loan increases. Reduction in federal funds sold of approximately $2.9 million provided the other source of loan funding.

The following table provides selected financial data that highlights the Company’s financial performance for each of the four full quarters that it has been in operation:

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	For the three months ended			
	9/30/2008	6/30/2008	3/31/2008	12/31/2007
	(Unaudited)			
Statements of Operations:				
Interest income	$ 909	$ 696	$ 560	$ 453
Interest expense	310	140	130	86
Net interest income	599	556	430	367
Provision for loan losses	102	163	166	167
Net interest income after provision for loan losses	497	393	264	200
Non-interest income	18	11	13	1
Non-interest expense	1,513	1,557	1,444	1,484
Net loss from operations	$ (998)	$ (1,153)	$ (1,167)	$ (1,283)
Per Share and Other Data:				
Basic and diluted loss per share	$ (0.38)	$ (0.46)	$ (0.47)	$ (0.52)
Book value as of period end	$ 7.52	$ 7.80	$ 8.17	$ 8.52
Weighted average shares outstanding-basic and diluted	2,616	2,517	2,487	2,487
Balance Sheet Data:				
Investments and fed funds sold	$ 19,898	$ 13,760	$ 12,915	$ 18,087
Loans, net	$ 47,994	$ 41,769	$ 31,758	$ 17,930
Assets	$ 71,806	$ 60,067	$ 48,526	$ 39,367
Deposits	$ 47,074	$ 34,727	$ 27,861	$ 17,862
Shareholders' equity	$ 19,667	$ 20,393	$ 20,314	$ 21,189
Selected Financial Ratios				
Net loss as a percentage of average assets	-5.07%	-8.92%	-10.73%	-14.46%
Net loss as a percentage of average equity	-19.85%	-22.84%	-22.54%	-23.39%
Dividend payout ratio	—	—	—	—
Equity to asset ratio	27.39%	33.95%	41.86%	53.82%
Net interest margin	3.21%	4.71%	4.34%	4.56%
Credit Quality				
Allowance for loan losses	$ 700	$ 598	$ 435	$ 269
Allowance /total loans	1.44%	1.41%	1.35%	1.48%
Non-performing loans	$ —	$ —	$ —	$ —
Net (recoveries)/ charge-offs	$ —	$ —	$ —	$ —

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RESULTS OF OPERATIONS

Net Interest Income

To facilitate a better understanding of the Company's financial position and the results of its operations, comparisons are made to the prior three-month period ended June 30, 2008.

The Company's earnings depend largely upon our net interest income, which is the difference between the income we earned on interest-bearing assets, such as loans, and the interest we pay on deposits and borrowed funds. Net interest income is related to (i) the relative amounts of interest earning assets and liabilities and (ii) the interest rates earned and paid upon these balances. Total interest income can fluctuate based upon the mix of earning assets between loans, investments and federal funds sold and the related rates associated with their balances. Some of the funding sources for these assets also have an interest cost which can fluctuate based upon the mix of interest-bearing liabilities and the related rates associated with their balances.

The interest rate spread represents the difference between the weighted average yield on interest earning assets and the weighted average rate paid on interest bearing liabilities.

Net interest margin is net interest income expressed as a percentage of average total interest earning assets. Net interest margin is affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes, and changes in the relative amounts of interest earning assets and interest bearing liabilities, referred to as volume changes. Interest rates earned and paid are affected principally by our competition, general economic conditions and other factors beyond the Company's control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, governmental budgetary matters and the actions of the Federal Reserve Board.

The following table sets forth interest income, interest expense, net interest income before provision for loan losses and net interest margin for the periods presented:

	Three Months Ended		
	September 30, 2008	June 30, 2008	Percent Change
	(Unaudited) (Dollars in thousands)		
Interest income	$ 909	$ 696	30.60%
Interest expense	310	140	121.43%
Net interest income before provision for loan losses	$ 599	$ 556	7.73%
Net interest margin	3.21%	4.71%	-31.86%

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The following table presents the weighted average yield on each specified category of interest earning assets, the weighted average rate paid on each specified category of interest bearing liabilities, the resulting interest rate spread, and the net interest margin for the two consecutive three-month periods indicated:

ANALYSIS OF NET INTEREST INCOME

	(Unaudited) (Dollars in thousands)					
	Three months ended September 30, 2008			Three months ended June 30, 2008		
	Average Balance	Interest Income/ Expense	Weighted Average Rate Earned/Paid	Average Balance	Interest Income/ Expense	Weighted Average Rate Earned/Paid
Interest-earning assets:						
Federal funds sold	$ 17,528	$ 86	1.95%	$ 4,013	$ 20	2.00%
Deposits with other financial institutions	3,813	29	3.03%	868	12	5.56%
Investments	7,051	91	5.13%	6,888	120	7.01%
Loans(1)	45,820	703	6.10%	35,745	544	6.12%
Total interest-earning assets	74,212	909	4.87%	47,514	696	5.89%
Non-interest-earning assets	4,096			3,892		
Total assets	$ 78,308			$ 51,406		
Interest-bearing liabilities:						
Demand	$ 1,499	$ 0	0.10%	$ 1,499	$ 0	0.10%
Savings and money market	7,239	33	1.81%	5,154	24	1.87%
Certificates of deposit	32,261	227	2.80%	13,679	113	3.32%
FHLB advances	4,501	50	4.38%	198	2	4.38%
Total interest-bearing liabilities	45,500	311	2.72%	20,530	140	2.73%
Non-interest-bearing demand deposits	12,256			10,394		
Total funding sources	57,756		2.14%	30,924		1.82%
Non-interest-bearing liabilities	537			400		
Shareholders' equity	20,015			20,082		
Total liabilities and shareholders' equity	$ 78,308			$ 51,406		
Excess of interest-earning assets over funding sources	$ 16,456			$ 16,590		
Net interest income		$ 598			$ 556	
Net interest rate spread			2.16%			3.16%
Net interest margin			3.21%			4.71%

(1) The average balance of loans is calculated net of deferred loan fees/cost, but would include non-accrual loans, if any, with a zero yield. Loan costs net of amortized fees included in total net income were approximately $14,000 for the three-month period ended September 30, 2008 and $15,000 for the three-month period ended June 30, 2008.

The table below sets forth changes for the consecutive three-month periods ended September 30, 2008 and June 30, 2008 for average earning assets, average interest bearing liabilities, and their respective rates:

VARIANCE IN BALANCES AND RATES

	(Unaudited) (dollars in thousands)						
	Average Balance for the three months ended		Variance		Average Yield/Rate for the three months ended		
	September 30, 2008	June 30, 2008	dollar	percent	September 30, 2008	June 30, 2008	Variance
Interest-earning assets:							
Federal funds sold	$ 17,528	$ 4,013	$13,515	336.78%	1.95%	2.00%	-0.05%
Deposits with other financial instituions	3,813	868	2,945	339.29%	3.03%	5.56%	-2.53%
Investments	7,051	6,888	163	2.37%	5.13%	7.01%	-1.87%
Loans	45,820	35,745	10,075	28.19%	6.10%	6.12%	-0.02%
Total interest-earning assets	$ 74,212	$ 47,514	$26,698	56.19%	4.87%	5.89%	-1.02%
Interest-bearing liabilities:							
Interest-bearing demand	$ 1,499	$ 1,499	$ —	0.00%	0.10%	0.10%	0.00%
Savings and money market	7,239	5,154	2,085	40.45%	1.81%	1.87%	-0.06%
Certificates of deposit	32,261	13,679	18,582	135.84%	2.80%	3.32%	-0.52%
FHLB advances	4,501	198	4,303	2175.51%	4.38%	4.38%	0.00%
Total interest-bearing liabilities	$ 45,500	$ 20,530	$24,970	121.63%	2.72%	2.73%	-0.02%

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A volume and rate variance table is provided below which sets forth the dollar differences in interest earned and paid for each major category of interest-earning assets and interest-bearing liabilities for the consecutive three-month periods ended September 30, 2008 and June 30, 2008:

	For the three months ended September 30, 2008 over June 30, 2008		
	Volume	Rate	Total
		(Unaudited)	
Interest income:			
Federal funds sold	$ 68	$ (2)	$ 66
Deposits with other financial instituions	41	(24)	17
Investments	3	(32)	(29)
Loans	159	—	159
Net increase (decrease)	271	(58)	213
Interest expense:			
Interest bearing demand	—	—	—
Savings and money market	10	(1)	9
Certificates of deposit	155	(42)	113
FHLB advances	48	—	48
Net increase (decrease)	213	(43)	170
Total net increase (decrease)	$ 58	$ (15)	$ 43

A review of the above tables shows that the overall increase in net interest income of approximately $43,000 between the two consecutive quarters ending at September 30, 2008 and June 30, 2008 is the result of several factors.

Among the most significant factors in the increase in net interest income is the overall growth in earning assets, up approximately $26.7 million or 56.2% between June 30, 2008 and September 30, 2008. The benefit of this increase in earning assets was, however, softened somewhat by the temporary change during this three-month period in the mix of interest-earning assets from loans towards federal funds sold. The percentage of average loan dollars outstanding, as a percentage of interest-earning assets grew from 28.9% percent as of December 31, 2007 to 58.6% as of March 31, 2008, and to 75.2% as of June 30, 2008 then fell back to 61.7% as of September 30, 2008.

As noted in the ***Earnings and Financial Condition Overview***, the Bank's deposits grew significantly during the quarter from customers funds, which were short-term and subject to unscheduled withdrawal. Due to the nature of these funds, their most sensible utilization was limited to placement in overnight federal funds sold. Accordingly, approximately half of the increase in average earning assets occurred in the overnight federal funds sold with earning rates averaging below 2%.

This movement in the utilization of funds coupled with the overall growth in assets resulted in the increase of interest income of approximately $213,000, with approximately $271,000 due to volume increases, which more than fully offsetting the result of the general market interest rate decline of approximately $58,000. While general interest rates held steady during the third quarter of 2008, the pricing of new earning assets at existing market rates brought average yields down by 102 basis points.

The category of loans, however, was able to benefit from a solid volume variance of approximately $159,000 with the effective decline in average effective loan yields so small that the reported amount was less than $1,000.

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Interest expense increased by $170,000, with increases in balances outstanding on interest-bearing liabilities being partially offset by the savings available on the repricing associated with the overall declining market rates.

The increase in interest expense due to the change in outstanding average interest-bearing liabilities was $213,000. This was attributable to the establishment of the Federal Home Loan Bank advance, (which occurred on June 30, 2008, and was present for the entire third quarter), and to the acceptance of large temporary short-term deposits in the Bank's *Liquid Certificate of Deposit*, which allows the Bank's customer the option of a one-time penalty-free withdrawal. The rate on the Federal Home Loan Bank advance is fixed at 4.38%. Accordingly, there is no rate variance anticipated on the advance. However, the decline on the effective interest rate on *Certificates of Deposits* from 3.32% during the three-month period ended June 30, 2008 to 2.80% during the subsequent three-month period ended September 30, 2008 provided a reduction in interest expense of approximately $42,000.

The following table presents the weighted average yield on each specified category of interest earning assets, the weighted average rate paid on each specified category of interest bearing liabilities, the resulting interest rate spread and the net interest margin for the nine-month period indicated:

ANALYSIS OF NET INTEREST INCOME

	(Unaudited) (Dollars in thousands) Nine months ended September 30, 2008		
	Average Balance	**Interest Income/ Expense**	**Weighted Average Rate Earned/Paid**
Interest-earning assets:			
Federal funds sold	$ 9,612	$ 165	2.29%
Deposits with other financial instituions	2,292	66	3.85%
Investments	7,018	301	5.73%
Loans(1)	35,016	1,633	6.23%
Total interest-earning assets	53,938	2,165	5.36%
Non-interest-earning assets	3,948		
Total assets	$ 57,886		
Interest-bearing liabilities:			
Demand	$ 1,144	$ 1	0.12%
Savings and money market	5,313	82	2.06%
Certificates of deposit	18,930	444	3.13%
FHLB advances	1,577	53	4.38%
Total interest-bearing liabilities	26,964	580	2.87%
Non-interest-bearing demand deposits	10,210		
Total funding sources	37,174		2.08%
Non-interest-bearing liabilities	408		
Shareholders' equity	20,304		
Total liabilities and shareholders' equity	$ 57,886		
Excess of interest-earning assets over funding sources	$ 16,764		
Net interest income		$ 1,585	
Net interest rate spread			2.49%
Net interest margin			3.92%

(1) The average balance of loans is calculated net of deferred loan fees/cost, but would include non-accrual loans, if any, with a zero yield. Loan costs net of amortized fees included in total net income were approximately $39,000 for the nine-month period ended September 30, 2008.

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No comparison can be made to a corresponding or consecutive nine-month period as none presently exists.

Provision for Loan Losses

The Company made provisions for loan losses of $102,000 for the three-month period ended September 30, 2008, compared to $163,000 for the previous three-month period ended June 30, 2008. These provisions were determined based upon the periodic credit review of the loan portfolio, consideration of past loan loss experience, current and predicted economic conditions, and other pertinent factors. For further analysis of the adequacy of the loan loss reserve, see *Asset Quality and Allowance for Loan Losses.*

Non-Interest Income

Non-interest income for the three-month period ended September 30, 2008 and June 30, 2008 was negligible.

Non-Interest Expense

The following table sets forth changes for the two consecutive three-month periods ending September 30, 2008 and June 30, 2008, allowing comparisons between these two quarters:

	For the three months ended		Variance	
	September, 30, 2008	June, 30, 2008	Dollars	Percent
	(dollars in thousands) (Unaudited)			
Compensation and benefits	$ 964	$ 970	$ (6)	-0.6%
Occupancy and equipment	174	163	11	6.7%
Technology and communication	134	125	9	7.2%
Professional and administrative expenses	107	158	(51)	-32.3%
Other non-interest expenses	134	139	(5)	-3.6%
Total non-interest expenses	$ 1,513	$ 1,555	$ (42)	-2.7%

The differences in expense between the second and third quarters of 2008 can be primarily attributed to the following:

- Savings in costs associated with seasonal reduction in employer payroll tax costs and reduction in accruals to reflect savings in certain employee benefit programs.
- Increased cost associated with increase property insurance and maintenance and repair cost.
- Increased data processing costs associated with increasing customer base and contractual obligations.
- The non-recurrence of costs associated with the preparation of the Company's annual report to shareholders, which were present only in the second quarter of 2008.

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FINANCIAL CONDITION

The Company's increase in total assets level to $71.8 million as of September 30, 2008 represents more than an 82% increase, or approximately $32.4 million, from the total assets level of $39.4 million as of December 31, 2007. The growth is centered in loans, which were funded primarily by locally generated deposits.

Loans

Total gross loans as of September 30, 2008 increased by approximately $30.5 million over December 31, 2007. Although outstanding loan balances increased in all categories, most of the monetary growth occurred in real estate loans, where the total grew by more than $17.3 million or 187%.

The table below sets forth the changes from December 31, 2007 to September 30, 2008 in the composition of the loan portfolio:

Loan Classifications:

(dollars in thousands) (unaudited)	September 30, 2008	December 31, 2007	Variance Dollars	Variance Percent
Commercial loans	$ 18,423	$ 7,855	$ 10,568	134.54%
Real estate loans	26,568	9,243	17,325	187.44%
Other loans	3,717	1,024	2,693	262.99%
Total loans	48,708	18,122	30,586	168.78%
Add: Purchase premium	43	50	(7)	
Add: Unamortized costs	54	40	14	
Less: Deferred fees	(111)	(13)	(98)	
Less : Allowance for loan losses	(700)	(269)	(431)	
Net loans	$ 47,994	$ 17,930	$ 30,064	167.67%

Of the Bank's total loans outstanding as of September 30, 2008, 25.5% were due in one year or less, 15.2% were due in one to five years, and 59.3% were due after five years. As is customary in the banking industry, loans can be renewed by mutual agreement between the borrower and the Bank. Because we are unable to accurately estimate the extent to which our borrowers will renew their loans, the following table is based on contractual maturities, reflecting gross outstanding loans without consideration of purchase premium, deferred fees or deferred costs.

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Loan Maturity Schedule as of September 30, 2008
(Unaudited)

	Maturing Within One Year	Maturing One to Five Years	Maturing After Five Year	Total
	(dollars in thousands)			
Commercial	$ 11,055	$ 2,906	$ 4,462	$ 18,423
Real estate	616	3,594	22,358	26,568
Other loans	745	893	2,079	3,717
Total	$ 12,416	$ 7,393	$ 28,899	$ 48,708
Loans with pre-determined interest rates	$ 1,059	$ 4,454	$ 7,861	$ 13,374
Loans with floating or adjustable rates	11,357	2,939	21,038	35,334
Total	$ 12,416	$ 7,393	$ 28,899	$ 48,708

Of the gross loan dollars outstanding as of September 30, 2008, approximately 73% had adjustable rates. Most of the adjustable rate loans generally have interest rates tied to the prime rate (53% of the total adjustable rate loan dollars outstanding) and will adjust with changes in the rate on a daily basis.

The balance of the adjustable rate loans are tied to other indices subject to periodic adjustment prior to the contract maturity.

Commercial Loans

The Bank offers a variety of commercial loans, including secured and unsecured term and revolving lines of credit, equipment loans and accounts receivable loans. As of September 30, 2008, approximately 92% of the commercial loans had adjustable rates. The Bank underwrites secured term loans and revolving lines of credit primarily on the basis of a borrower's cash flow and the ability to service the debt, although we rely on the liquidation of the underlying collateral as a secondary payment source, where applicable. Should the borrower default and the Bank forecloses on the assets, we may not be able to recover the full amount of the loan.

Real Estate Loans

The Bank's real estate loans are secured primarily by commercial property, including a significant percentage in multi-family complexes. Approximately 59% of the real estate loans are adjustable during the term of the loan. Approximately 84% of the real estate loans have a remaining maturity between five and ten years. As of September 30, 2008, the weighted average ratio of the original loan extension to the underlying value of the property was approximately 49% with weighted average debt service coverage of 1.46. No individual loan to value ratio exceeded 73%.

Other Loans

The Bank offers other types of loans, including home equity lines of credit. Home equity lines of credit have adjustable rates and provide the borrower with a line of credit in an amount which does not exceed 80% of the appraised value of the borrower's property at the time of origination.

Off-Balance Sheet Credit Commitments and Contingent Obligations

We enter into or may issue financial instruments with off-balance sheet credit risk in the normal course of business to meet the financial needs of our customers. Since inception through March 31, 2008, these had

been limited to undisbursed commitments to extend credit to both businesses and individuals. Beginning with the second quarter of 2008, the Bank issued several letters of credit for the first time, totaling $70,000. All commitments noted above were associated with loans and were therefore subject to the same credit underwriting policies and practices as those used for the loans reflected in the financial statements. When deemed advisable, the Bank obtains collateral to support such commitments.

Commitments to extend credit are agreements to lend up to a specific amount to a customer as long as there is no violation of any condition in the contract. Commitments generally have fixed expiration dates or other termination clauses, which may require payment of a fee. Since we expect some commitments to expire without being drawn upon, the total commitment amounts do not necessarily represent future loans. There was $8.8 million in undisbursed loan commitments as of September 30, 2008, an increase of $1.5 million or 20.5% from the December 31, 2007 amount of $7.3 million.

Non-Performing Assets

Non-performing assets consist of non-performing loans and other real estate owned (“OREO”). Non-performing loans are (i) loans which have been placed on non-accrual status; (ii) loans which are contractually past due 90 days or more with respect to principal or interest, have not been restructured or placed on non-accrual status, and are accruing interest; and (iii) troubled debt restructures (“TDRs”). OREO is comprised of real estate acquired in satisfaction of the loan either through foreclosure or deed in lieu of foreclosure.

The Bank had no non-performing assets as of September 30, 2008 and December 31, 2007.

Deposits

Deposits are the Bank’s primary source of funds. The following table sets forth the amount of deposits outstanding by category at September 30, 2008 and December 31, 2007, and the net changes between the two periods.

(dollars in thousands) (unaudited)	September30, 2008	December 31, 2007	Variance Dollars	Variance Percent
Deposit Classifications:				
Noninterest bearing deposits	$ 13,124	$ 5,395	$ 7,729	143.26%
Interest bearing demand	1,596	1,143	453	39.63%
Savings and money market	9,034	4,244	4,790	112.87%
Certificate of deposit $100,000 and over	18,442	6,190	12,252	197.93%
Certificate of deposit less than $100,000	4,878	890	3,988	448.09%
Total deposits	$ 47,074	$ 17,862	$ 29,212	163.54%

As of September 30, 2008, 27.9% of the Company’s deposits were non-interest-bearing demand deposits, a slight decrease from December 31, 2007 at 30.2%. At December 31, 2007, we had no brokered funds on deposit. At September 30, 2008, the Bank held approximately $ 900,000 in brokered funds. All other funds have been placed with the Bank by local depositors at competitive rates within the Bank’s marketing area. While the goal of the Bank is to fund credit commitments using local funding sources, it is anticipated that some of the future funding sources may include brokered funds.

The *Analysis of Net Interest Income,* found within this document, summarizes the distribution of the average deposit balances and the average rates paid on deposits during the Bank’s two consecutive full quarters ended September 30, 2008 and for the nine-month period ended September 30, 2008.

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The following table shows the maturity of all of the Bank's time deposits as of September 30, 2008:

Maturities (unaudited)	**Amounts** (in thousands)
Three months or less	$ 15,677
Over three and through twelve months	7,643
Over twelve months	—
Total	$ 23,320

Asset Quality and Allowance for Loan Losses

The Company maintains an allowance for loan losses ("ALL") to provide for potential losses in its loan portfolio. Additions to the allowance are made by charges to operating expense in the form of a provision for loan losses. All loans that are judged to be uncollectible will be charged against the allowance, while recoveries would be credited to the allowance. We have instituted loan policies designed primarily for internal use, to adequately evaluate and assess the analysis of the risk factors associated with the Bank's loan portfolio, to enable us to assess such risk factors prior to granting new loans and to assess the sufficiency of the allowance. We conduct an evaluation on the loan portfolio monthly.

The calculation of the adequacy of the ALL necessarily includes estimates by management applied to known loan portfolio elements. We employ a 10-point loan grading system in an effort to more accurately track the inherent quality of the loan portfolio. The 10-point system assigns a value of "1" or "2" to loans that are substantially risk free. Modest, average and acceptable risk loans are assigned point values of "3", "4", and "5", respectively. Loans on the watch list are assigned a point value of "6." Point values of "7," "8," "9" and "10" are assigned, respectively, to loans classified as special mention, substandard, doubtful and loss. Using these risk factors, management continues the analysis of the general reserves applying quantitative factors based upon different risk scenarios.

In addition, management considers other trends that are qualitative relative to our marketplace, demographic trends, the risk rating of the loan portfolios as discussed above, amounts and trends in non-performing assets and concentration factors.

Regulatory Capital

During the second quarter of 2008, the Company entered into a Stock Purchase Agreement with Carpenter Fund Manager GP, LLC, the General Partner of the Carpenter Community BancFund, pursuant to which the Fund agreed to purchase 1,500,000 shares of Manhattan Bancorp's common stock at $10.00 per share for an aggregate purchase of $15 million. The agreement specifies that the purchase will occur in two separate closings. The first closing, which occurred in June, 2008 and was equivalent to 4.9% of the Company's post closing outstanding stock, resulted in the infusion of $1,281,750. Funds totaling $1.0 million were subsequently transferred to the Bank. The second and final close is anticipated to occur prior to the end of 2008, subject to receipt of all required regulatory approvals and certain other conditions precedent to closing.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can trigger mandatory and possibly additional discretionary actions by the regulators that, if undertaken, could have a material effect on the Bank's financial statements and operations. Under capital adequacy guidelines and regulatory framework for

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prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accepted accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators such as components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require both the Company and the Bank to maintain the following minimum amounts and ratios (set forth in the table below) of total and Tier 1 Capital to risk-weighted assets and Tier 1 Capital to average assets. As of September 30, 2008, the Company and the Bank exceeded all applicable capital adequacy requirements.

Under the Federal Reserve Board's guidelines, Manhattan Bancorp is a "small bank holding company," and thus qualifies for an exemption from the consolidated risk-based and leverage capital adequacy guidelines applicable to bank holding companies with assets of $500 million or more. However, while not required to do so under the Federal Reserve Board's capital adequacy guidelines, the Company still maintains levels of capital on a consolidated basis which qualifies it as "well capitalized."

The following table sets forth the Company's and the Bank's regulatory capital ratios as of September 30, 2008:

	Actual		To Be Adequately Capitalized		To Be Well Capitalized	
(unaudited)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(in thousands)			
Company						
Total Capital (risk-weighted assets)	$ 20,314	35.8%	$ 4,537	8%	$ 5,671	10%
Tier 1 Capital (risk-weighted assets)	$ 19,590	34.5%	$ 2,268	4%	$ 3,403	6%
Tier 1 Capital (average assets)	$ 19,590	25.0%	$ 3,132	4%	$ 3,915	5%
Bank						
Total Capital (risk-weighted assets)	$ 19,765	34.9%	$ 4,537	8%	$ 5,671	10%
Tier 1 Capital (risk-weighted assets)	$ 19,041	33.6%	$ 2,268	4%	$ 3,403	6%
Tier 1 Capital (average assets)	$ 19,041	24.3%	$ 3,132	4%	$ 3,915	5%

Liquidity and Liquidity Management

Liquidity management for banks requires that funds always be available to pay anticipated deposit withdrawals, fund loan commitments, and meet other commitments on a timely and cost effective basis. The acquisition of deposits is our primary source of funds. This relatively stable and low-cost source of funds has, along with the initial balances in stockholder's equity, provided substantially all of the funding since the Bank's inception.

We also have liquidity as a net seller of overnight federal funds at a level that would cushion in part any unexpected increase in demand for loans or decrease in funds deposited. During the three-month period ended June 30, 2008, we had an average balance of $4.0 million in overnight federal funds sold representing approximately 8% of our average assets. During the three-month period ended September 30, 2008, we had an average balance of $17.5 million in overnight federal funds sold representing approximately 22% of our average assets. Both ratios are far above the minimum guideline of 3% established in the Bank's liquidity policy.

To meet liquidity needs, the Company maintains a portion of its funds in cash deposits in other banks, federal funds and investment securities. As of December 31, 2007, liquid assets (including cash, federal funds sold, interest-bearing deposits in other financial institutions and available-for-sale investment securities that have not been pledged as collateral), as a percentage of the Company's deposits, were 98.0%. As of September 30, 2008, liquid assets as a percentage of the Company's deposits, although declining, remain acceptable at 31.8%.

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While liquidity was not a major concern in 2007, management has established and is seeking to establish secondary sources of liquidity. As of September 30, 2008, the Bank maintains lines of credit totaling $6 million with two correspondent banks for the purchase of overnight federal funds. The lines are subject to availability of funds and have restrictions as to the number of days used during defined periods of time. Another method that the Bank currently has available for acquiring additional deposits is through the acceptance of "brokered deposits" (defined to include not only deposits acquired with deposit brokers, but also deposits bearing interest rates far above the local market rates), typically attracting large certificates of deposits at high interest rates. The Bank tested its access to overnight federal funds facilities once since it began operations. The Bank had a nominal amount of "brokered deposits" as of September 30, 2008 of approximately $ 900,000 or about 2% of total deposits.

The Bank has established a credit line with the Federal Home Loan Bank of San Francisco and has outstanding as of September 30, 2008 a five-year fixed rate advance of $4.5 million at 4.38%.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

The Company's market risk results primarily from two sources, credit risk and interest rate risk. Risk management is an important part of our operations and a key element of our overall financial results. Banking regulators, in recent years, have emphasized appropriate risk management, prompting banks to have adequate systems to identify, monitor and manage risks. The Bank has both board and management committees who meet on a regular basis to oversee risk functions. The Company's Audit Committee is responsible for overseeing internal auditing functions and for interfacing with the Company's external auditors. The Bank's Loan Committee establishes Loan Policy, reviews loans made by management and approves loans in excess of management's lending authority. This committee is also responsible for the review of any problem credits and assessing the adequacy of our allowance for loan losses. The Asset/Liability Committee reviews investments made by management, and monitors compliance with investment, interest rate risk and liquidity policies.

Credit Risk

Credit risk generally arises as a result of the Bank's lending activities, but may also be present in the Bank's investment functions. To manage the credit risk inherent in our lending activities, we rely on the adherence to underwriting standards and loan policies as well as our allowance for loan losses. The Bank employs frequent monitoring procedures and takes prompt corrective action when necessary. Additionally, the Bank's loan portfolio and the ALL methodology are expected to be examined on a regular basis by both regulatory agencies and independent loan review professionals.

Interest Rate Risk

Interest rate risk is the exposure of a bank's financial condition and the results of operations to adverse movements in interest rates. Movements in interest rates affect both the generation of earnings as well as the market value of assets and liabilities.   Interest rate risk results from more than just the differences in the maturity or repricing opportunities of interest-earning assets and interest-bearing liabilities. Other factors that affect the interest rate risk include changes in the slope of the yield curves over time, imperfect correlation in the adjustment of rates earned and paid on different instruments with similar characteristics, interest-rate-related embedded options such as loan floors, ceilings, and prepayments, as well as callable investment securities and early withdrawal of time deposits.

The potential impact of interest rate risk is significant because of the liquidity and capital adequacy consequences that reduced earnings or losses may imply. While we recognize and accept that interest rate risk is a routine part of banking operations, the objective of interest rate risk management is to measure, monitor and control exposure of net interest income to excessive risks associated with interest rate movements.

Understanding the inherent weakness in traditional gap analysis to properly measure interest rate risk, the Bank employs modeling techniques which measure the affect of interest rate shocks on the net interest income and the market value of equity on the Bank's existing mix of assets and liabilities.

The results of the model's simulations on the potential loss of net interest income as of September 30, 2008 reflect the following:

Earnings at Risk

Rate Shock (in basis points)	Maximum Policy Guideline	% (Loss) Gain in Net Interest Income
-300	-15%	-6.7%
-200	-10%	-4.2%
-100	-5%	-2.0%
+100	-5%	1.8%
+200	-10%	3.6%
+300	-15%	5.5%

The method employed in rate shocking the earnings at risk was "ramping", (i.e. changing the indicated rate movement gradually over a 12 month horizon). Based upon the model simulation as of September 30, 2008, the Bank's interest rate risk exposure as measured by rate movement on net interest income is within policy guidelines.

The results of the model's simulations on the potential loss of the Company's equity as of September 30, 2008 reflect the following:

Market Value of Equity

Rate Shock (in basis points)	Maximum Policy Guideline	% (Loss) Gain in Market Value of Equity
-300	-30%	11.3%
-200	-20%	10.5%
-100	-10%	5.2%
+100	-10%	-4.0%
+200	-20%	-7.8%
+300	-30%	-11.3%

The method employed in rate shocking the market value of equity is referred to as "regulatory shock", i.e. changing the indicated rates instantaneously.

Based upon the model simulation as of September 30, 2008, the Bank interest rate exposure as measured by rate movement on the market value of the Bank's equity is within policy guidelines.

Item 4 – Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in the Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide reasonable assurance only of achieving the desired control objectives, and management necessarily is required to apply its judgment in weighing the costs and benefits of possible new or different controls and procedures. Limitations are inherent in all control systems, so no evaluation of controls can provide absolute assurance that all control issues and any fraud within the Company have been detected.

As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report the Company, under the supervision and with participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of that date.

During the quarter ended September 30, 2008, there were no significant changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. – Legal Proceedings

The Company is not a party to any legal proceedings.

Item 1A. – Risk Factors

As a smaller reporting company, the Company is not required to provide the information required by this item as a part of the Form 10-Q.

Item 2 – Unregistered Sale of Equity Securities and Use of Proceeds

None

Item 3 – Defaults upon Senior Securities

Not Applicable.

Item 4 – Submission of Matters to the Vote of Security Holders

None

Item 5 – Other Information

None

Item 6 – Exhibits

Exhibit Number	Index to Exhibits	Page
11	Statement Regarding Computation of Net Income (Loss) per Share	(1)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended	32
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended	33
32.1	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as amended pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	34
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as amended pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	35

(1) The information required by this exhibit is incorporated by reference from Note 9 to the Company’s financial statements included herein.

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SIGNATURES

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

MANHATTAN BANCORP

Date:	November 12, 2008	/s/ Jeffrey M. Watson . Jeffrey M. Watson President and Chief Executive Officer (Principal Executive Officer)
Date:	November 12, 2008	/s/ Dean Fletcher . Dean Fletcher Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION
(Section 302 of Sarbanes-Oxley)

I, Jeffrey M. Watson, President and Chief Executive Officer of Manhattan Bancorp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Manhattan Bancorp;

2. Based on my knowledge, this quarterly 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 quarterly 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 (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) internal controls over the financial reporting (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant 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 is made known to us by others within that entity, particularly during the period in which this report is being prepared;

   b. 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 upon our evaluation; and

   c. disclosed in this report any changes in the registrant's internal control that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonable 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, to the registrant's auditors and the audit committee of registrant's board of directors:

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable 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.

Date: November 12, 2008

/s/ Jeffrey M. Watson
Jeffrey M. Watson
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION
(Section 302 of Sarbanes-Oxley)

I, Dean Fletcher, Executive Vice President and Chief Financial Officer of Manhattan Bancorp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Manhattan Bancorp;

2. Based on my knowledge, this quarterly 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 quarterly 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 (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) internal controls over the financial reporting (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant 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 is made known to us by others within that entity, particularly during the period in which this report is being prepared;

   b. 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 upon our evaluation; and

   c. disclosed in this report any changes in the registrant's internal control that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonable 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, to the registrant's auditors and the audit committee of registrant's board of directors:

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable 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.

Date: November 12, 2008

/s/ Dean Fletcher
Dean Fletcher
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the “Form 10-Q”) for the quarter ended September 30, 2008 of Manhattan Bancorp (the “Company”).

I, Jeffrey M. Watson, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

1. The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such reports.

Dated: November 12, 2008

/s/ Jeffrey M. Watson

Jeffrey M. Watson
President and Chief Executive Officer

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended September 30, 2008 of Manhattan Bancorp (the "Company").

I, Dean Fletcher, Executive Vice President and Chief Financial Officer of the Company, certify that, to the best of my knowledge:

1. The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such reports.

Dated: November 12, 2008

/s/ Dean Fletcher.

Dean Fletcher
Executive Vice President and
Chief Financial Officer