Birmingham Bloomfield Bancshares
Form 10QSB
November 13, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10 QSB
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2007
Commission File Number 000-52584
BIRMINGHAM BLOOMFIELD BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Michigan	**20-1132959**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

33583 Woodward Avenue, Birmingham, MI 48009
(Address of principal executive offices, including zip code)
(248) 723-7200
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (i) 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 (ii) has been subject to such filing requirements for the past 90 days.

Yes þ No o

The number of shares outstanding of the issuer s Common Stock as of November 9, 2007, was 1,800,000 shares.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes o No þ

Transitional Small Business Filer Format:

Yes o No þ

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIRMINGHAM BLOOMFIELD BANCSHARES, INC
BALANCE SHEET
(Unaudited)

	September 30, 2007
Assets	
Cash and cash equivalents	
Cash	$ 1,866,571
Federal funds sold	8,296,889
Total cash and cash equivalents	10,163,460
Securities, available for sale (Note 2)	5,912,278
Loans (Note 3)	
Total loans	31,081,985
Less: Allowance for loan losses	(470,000)
Net loans	30,611,985
Premises & equipment	2,597,327
Interest receivable and other assets	307,233
Total assets	$ 49,592,283
Liabilities and Shareholders Equity	
Deposits (Note 4)	
Non-interest bearing	$ 6,037,131
Interest bearing	31,679,248
Total deposits	37,716,379
Interest payable and other liabilities	545,534
Total liabilities	38,261,913
Shareholders equity	
Common stock, no par value Authorized 4,500,000 shares Issued and outstanding 1,800,000 shares	17,034,330
Accumulated other comprehensive income	23,055
Additional paid in capital share based payments	448,000
Accumulated deficit	(6,175,015)

Total shareholders equity		11,330,370
Total liabilities and shareholders equity	$	49,592,283

See Notes to Financial Statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
STATEMENT OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30, 2007	For the Three Months Ended September 30, 2006	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006
Interest Income				
Loans, including fees	$ 470,388	$ 14,969	$ 1,068,700	$ 14,969
Taxable securities	60,895		69,793	
Federal funds sold	179,689	97,421	553,001	97,421
Total interest income	710,972	112,390	1,691,494	112,390
Interest expense				
Deposits	330,104	14,922	774,211	14,922
Borrowings		24,594		71,452
Total interest expense	330,104	39,516	774,211	86,374
Net interest income	380,868	72,874	917,283	26,016
Provision for loan losses	155,000	30,000	275,000	30,000
Net interest income (expense) after provision for loan losses	225,868	42,874	642,283	(3,984)
Non-interest income				
Service charges and other fees	18,064	699	26,466	699
Other income	10,476		67,992	
Total non-interest income	28,540	699	94,458	699
Non-interest expense				
Salaries and benefits	450,171	532,629	1,345,933	937,250
Occupancy & equipment expense	205,659	110,217	663,212	282,921
FAS 123R share based payments	28,000	420,000	28,000	420,000
Data processing expense	40,822	8,882	133,972	8,882
Advertising and public relations	34,293	25,089	164,391	25,089
Professional fees	57,680	6,365	183,091	49,684
Other expense	99,892	26,956	277,014	222,142
Total non-interest expense	916,517	1,130,138	2,795,613	1,945,968
Net loss before taxes	(662,109)	(1,086,565)	(2,058,872)	(1,949,253)
Income taxes				

Net loss	($662,109)	($1,086,565)	($2,058,872)	($1,949,253)
Basic loss per share	($0.37)	($1.08)	($1.14)	($5.76)
Diluted loss per share	($0.37)	($1.08)	($1.14)	($5.76)

See Notes to Financial Statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
STATEMENT OF SHAREHOLDERS EQUITY
(Unaudited)
January 1, 2007 to September 30, 2007

	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Gain	Total
Balance at January 1, 2007	$ 17,034,330	$ 420,000	($4,116,143)		$ 13,338,187
Share based payments expense		28,000			28,000
Comprehensive loss:					
Net loss			(2,058,872)		(2,058,872)
Unrealized gain on securities				23,055	23,055
Total comprehensive loss					(2,035,817)
Balance at September 30, 2007	$ 17,034,330	$ 448,000	($6,175,015)	$ 23,055	$ 11,330,370

See Notes to Financial Statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
STATEMENT OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2007	2006
Cash flows from operating activities		
Net loss	($2,058,872)	($1,949,253)
Share based payments expense	28,000	420,000
Provision for loan losses	275,000	30,000
Accretion of securities	(12,067)	
Depreciation expense	284,700	
Loss on disposal of equipment	36,216	
Net (increase) decrease in other assets	(191,739)	387,524
Net increase (decrease) in other liabilities	408,717	(63,470)
Net cash used in operating activities	(1,230,045)	(1,175,199)
Cash flows from investing activities		
Increase in loans	(18,168,408)	(1,951,426)
Purchase of securities	(6,042,503)	
Proceeds from maturities of securities	165,347	
Purchases of premises and equipment	(743,863)	(1,785,725)
Proceeds from reimbursement of leasehold improvements	144,500	
Net cash used in investing activities	(24,644,927)	(3,737,151)
Cash flows from financing activities		
Increase in deposits	27,487,431	5,177,762
Sale of stock		13,208,759
Decrease in notes payable from related parties		(749,000)
Decrease in bank note payable		(960,000)
Net cash provided by financing activities	27,487,431	16,677,521
Increase in cash and cash equivalents	1,612,459	11,765,171
Cash and cash equivalents at the beginning of the period	8,551,001	32,754
Cash and cash equivalents at the end of the period	$ 10,163,460	$ 11,797,925
Supplemental cash flow information:		
Cash paid for interest:	$ 733,550	$ 79,785

See Notes to Financial Statements

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO FINANCIAL STATEMENTS

Note 1 Basis of Statement Preparation

The accompanying unaudited consolidated interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America with the instructions to Form 10-QSB. Accordingly, certain information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements are not included herein. The interim financial statements should be read in conjunction with the financial statements of Birmingham Bloomfield Bancshares, Inc. (the Corporation) and the notes thereto included in the Corporation s annual report on Form 10-KSB for the year ended December 31, 2006.

All adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for a fair presentation of financial position, results of operations, and cash flows, have been made. The results of operations for the three month and nine month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

Note 2 Securities

The amortized cost and estimated market value of securities are as follows (000s omitted):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities available for sale:				
U. S. Government agency securities	$ 2,170	$ 4		$ 2,174
Mortgage backed securities	$ 3,719	$ 19		$ 3,738
Total securities available for sale	$ 5,889	$ 23		$ 5,912

The amortized cost and estimated market value of securities at September 30, 2007, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties. As of September 30, 2007, all securities are available for sale. The contractual maturities of securities are as follows:

	Amortized Cost	Estimated Market Value
Due:		
Over 3 months through 1 year	$ 498	$ 498
Over 1 year through 5 years	$ 1,672	$ 1,676
Over 10 years	$ 3,719	$ 3,738
	$ 5,889	$ 5,912

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Note 3 Loans

A summary of the balances of loans as of September 30, 2007 is as follows (000s omitted).

	2007
Mortgage loans on real estate:	
Residential 1 to 4 family	$ 868
Multifamily	1,865
Commercial	15,339
Construction	726
Second mortgage	770
Equity lines of credit	5,920
Total mortgage loans on real estate	25,488
Commercial loans	5,168
Consumer installment loans	426
Total loans	31,082
Less:	
Allowance for loan losses	470
Net loans	$ 30,612

An analysis of the allowance for loan losses follows (000s omitted):

	2007
Balance at December 31, 2006	$ 195
Provision for loan losses	275
Loans charged off	0
Recoveries of loans previously charged off	0
Balance at September 30, 2007	$ 470

At September 30, 2007, there were no loans considered to be impaired or over 90 days delinquent and still accruing interest.

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Note 4 Deposits

The following is a summary of the distribution of deposits at September 30, (000s omitted):

	2007
Non-interest bearing deposits	$ 6,037
NOW accounts	8,566
Savings and money market accounts	14,247
Certificates of deposit <$100,000	1,685
Certificates of deposit >$100,000	7,181
Total	$ 37,716

At September 30, 2007, the scheduled maturities of time deposits maturing are as follows (000s omitted):

	<$100,000	>$100,000	Total
Within 12 months	$ 1,685	$ 7,181	$ 8,866
> 12 months			
Total	$ 1,685	$ 7,181	$ 8,866

Note 5 Leases and Commitments

The Corporation has entered into a lease agreement for its main office. Payments began in February 2005 and the lease expires in October 2025. The Corporation also entered into a lease agreement for its branch office in Bloomfield Township. Payments began in March 2006 and the lease expires February 2016. The main office lease has one ten year renewal option. The Bloomfield branch office lease has one five year renewal option. Rent expense under the lease agreements totaled $67,000 and $201,000 respectively for the three months and nine months ended September 30, 2007.

The following is a schedule of future minimum rental payments under operating leases on a calendar year basis:

2007 (remaining)	$ 67,683
2008	274,037
2009	279,807
2010	285,695
2011	291,693
thereafter	3,967,666
Total	$ 5,166,581

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Note 6 Stock Option Plan

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-based Payments (SFAS 123R), a revision to Statement No. 123, Accounting for Stock-Based Compensation. This standard requires the Corporation to measure the cost of employee services received in exchange for equity awards, including stock options, based on the grant date fair value of the awards. The cost is recognized as compensation expense over the vesting period of the awards. The Corporation is required to estimate the fair value of all stock options on each grant date, using an appropriate valuation approach such as the Black-Scholes option pricing model.

The Corporation s 2006 Stock Incentive Plan (the Plan) was approved by shareholders on April 23, 2007. Under the Plan, the Corporation is authorized to grant options to key employees for up to 225,000 shares of common stock. The Corporation believes the Plan serves to better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Corporation s stock at the date of grant. The option awards vest over 3 years of continuous service and have 10-year contractual terms. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plan).

During the second quarter of 2007, the Corporation issued 187,500 stock options. The total options outstanding at September 30, 2007 remained at 187,500. No options have been exercised. Based on the fair market value at the grant date using the Black-Scholes option pricing model, the compensation cost recognized by the Corporation for the portion of the equity awards earned during the third quarter of 2007 was not significant. For the three and nine months ended September 30, 2007, there is no difference between basic and diluted loss per share due to the anti dilutive effect of outstanding options at September 30, 2007.

The Corporation estimates the value of its stock options using the calculated value on the grant date. The Corporation measures compensation cost of employee stock options based on the calculated value instead of fair value because it is not practical to estimate the volatility of its share price. The Corporation does not maintain an internal market for its shares and its shares are rarely traded privately. As a denovo institution, the Corporation s initial stock offering was completed in July 2006. The calculated value method requires that the volatility assumption used in an option-pricing model be based on the historical volatility of an appropriate industry sector index.

The Corporation uses a Black-Scholes formula to estimate the calculated value of its share-based payments. The volatility assumption used in the Black-Scholes formula is based on the volatility of the America s Community Bankers index as quoted on the NASDAQ exchange. The Corporation calculated the historical volatility using the closing total returns for that index for the 3 years immediately prior to the grant date.

The weighted average assumptions used in the Black-Scholes model are noted in the following table. The Corporation uses expected data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Calculated volatility	12.40%
Weighted average dividends	0.00%
Expected term (in years)	5
Risk-free rate	4.50%

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A summary of option activity under the Plan for the nine months ended September 30, 2007 is presented below:

Options	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007		$			$
Granted	187,500		10.00	9.50	
Exercised					
Forfeited or expired					
Outstanding at September 30, 2007	187,500	$	10.00	9.50	$

There are no stock options exercisable at September 30, 2007. The weighted-average grant-date calculated value of options granted during 2007 approximated $166,000. As of September 30, 2007, there was approximately $138,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.6 years.

Note 7 Minimum Regulatory Capital Requirements

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The prompt corrective action regulations provide four classifications, well capitalized, adequately capitalized, undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required. The Bank and the Corporation were well-capitalized as of September 30, 2007.

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The Bank s and Corporation s actual capital amounts and ratios as of September 30, 2007 are presented in the following table (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To be Well-Capitalized	
	Amount	Ratio (Percent)	Amount	Ratio (Percent)	Amount	Ratio (Percent)
Total risk-based capital (to risk weighted assets)						
Bank of Birmingham	11,020	30.80	2,862	8.00	3,577	10.00
Consolidated	11,764	32.88	2,862	8.00	3,577	10.00
Tier I Capital (to risk weighted assets)						
Bank of Birmingham	10,563	29.53	1,431	4.00	2,146	6.00
Consolidated	11,307	31.61	1,431	4.00	2,146	6.00
Tier I Capital (to average assets)						
Bankof Birmingham	10,563	22.10	1,912	4.00	2,389	5.00
Consolidated	11,307	23.66	1,912	4.00	2,389	5.00

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following discussion and analysis provides information which the Corporation believes is relevant to an assessment and understanding of the Corporation s results of operations and financial condition. This discussion should be read in conjunction with the financial statements and accompanying notes appearing in this report.

Statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including the Corporation s and Bank s expectations, intentions, beliefs, or strategies regarding the future. Any statements in this document about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as may, should, could, predict, potential, believe, will likely result, expect, will continue, anti estimate, intend, plan, projection, would and outlook, and similar expressions. Accordingly, these statements estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values included in this document are based on information available to the Corporation on the dates noted, and the Corporation assumes no obligation to update any such forward-looking statements. It is important to note that the actual results of the Corporation or the Bank may differ materially from those in such forward-looking statements due to fluctuations in interest rates, inflation, government regulations, economic conditions, customer disintermediation and competitive product and pricing pressures in the geographic and business areas in which the Corporation and the Bank conduct operations, including their respective plans, objectives, expectations and intentions and other factors discussed under the section entitled Risk Factors, in the Corporation s Prospectus contained in its Registration Statement on Form SB-2, which was declared effective on November 14, 2005, including the following:

the Corporation has no operating history upon which to base an estimate of its future financial performance;

the Corporation expects to incur losses during its initial years of operations;

failure of the Corporation or the Bank to implement its business strategies may adversely affect its financial performance;

departures of key personnel or directors may impair the Bank s operations;

the Bank will face intense competition from a variety of competitors;

the Bank s legal lending limits may impair its ability to attract borrowers;

an economic downturn, especially one affecting the Bank s primary service areas, may have an adverse effect on the Corporation s financial performance;

adverse economic conditions in the automobile manufacturing and related service industries may impact the Corporation s banking business;

monetary policy and other economic factors could adversely affect the Bank s profitability;

the common stock of the Corporation is not an insured deposit;

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your share ownership may be diluted in the future;

the Bank could be negatively affected by changes in interest rates;

the determination of the offering price in the initial public offering was arbitrary, and shareholders may be unable to resell their shares at or above the offering price;

the Corporation does not intend to pay dividends in the foreseeable future;

the Corporation and Bank are subject to extensive regulatory oversight, which could restrain growth and profitability;

the Corporation may not be able to raise additional capital on terms favorable to it;

subscribers will incur immediate and substantial dilution in the book value per share of any shares that they purchase in the offering;

the liquidity of the Corporation s common stock will be affected by its limited trading market;

the Corporation s articles of incorporation and bylaws, and the employment agreements of the Corporation s executive officers, contain provisions that could make a takeover more difficult;

management of the Bank may be unable to adequately measure and limit credit risk associated with the loan portfolio, which would affect the Corporation s profitability; and,

the Corporation s directors and executive officers could have the ability to influence shareholder actions in a manner that may be adverse to a shareholder s personal investment objectives.

These factors and the risk factors referred to in the Corporation s Prospectus, dated November 15, 2005, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by the Corporation, and you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and the Corporation does not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for the Corporation to predict which will arise. In addition, the Corporation cannot assess the impact of each factor on the business of the Corporation or the Bank or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

OVERVIEW

The Corporation is a Michigan corporation that was incorporated on February 26, 2004 to organize and serve as the holding company for a Michigan state bank, Bank of Birmingham (Bank) in Birmingham, Michigan. The Bank is a full service commercial bank headquartered in Birmingham, Michigan, with a full service branch banking office in Bloomfield Township, Michigan. It serves the communities of Birmingham, Bloomfield, Bingham Farms, Franklin and Beverly Hills and the neighboring communities. The Corporation completed the first phase of its stock offering on July 25, 2006 and capitalized the Bank on that date. The Bank opened for business on July 26, 2006 in a modular facility at the site of its future branch at 4145 W. Maple in Bloomfield Township. The modular facility served as the Bank s temporary main office until leasehold improvements at the permanent main office facility at 33583 Woodward Avenue in Birmingham were completed and the office opened for business at the end of August 2006. Remodeling then commenced at the Bloomfield facility. The Bloomfield branch office opened for business in its permanent facility on February 20, 2007. The Bank serves businesses and consumers across Oakland and Macomb counties with a full range of lending, deposit and Internet banking services. The Bank operates two full service facilities, one in Birmingham and the other in Bloomfield Township, Michigan.

The results of operations depend largely on net interest income. Net interest income is the difference in interest income the Corporation earns on interest-earning assets, which comprise primarily commercial business, commercial real estate and residential real estate loans and the interest the Corporation pays on our interest-bearing liabilities, which are primarily deposits and borrowings. Management strives to match the repricing characteristics of the interest earning assets and interest bearing liabilities to protect net interest income from changes in market interest rates and changes in the shape of the yield curve.

The results of our operations may also be affected by local and general economic conditions. The largest geographic segment of our customer base is in Oakland County, Michigan. The economic base of the County continues to diversify from the automotive service sector. This trend should lessen the impact on the County of future economic downturns in the automotive sector of the economy. Oakland County s proximity to major highways and affordable housing has continued to spur economic growth in the area. Oakland County s outstanding debt had a credit rating of AAA from Moody s Investor Service as of 2005. Changes in the local economy may affect the demand for commercial loans and related small to medium business related products. This could have a significant impact on how the Corporation deploys earning assets. The competitive environment among other financial institutions and financial service providers and the Bank in the Oakland and Macomb counties of Michigan may affect the pricing levels of various deposit products. The impact of competitive rates on deposit products may increase the relative cost of funds for the Corporation and thus negatively impact net interest income.

The Corporation continues to see competitive deposit rates offered from local financial institutions within the geographic proximity of the Bank which could have the effect of increasing the costs of funds to a level higher than management projects.

PLAN OF OPERATION

The Bank commenced operations on July 26, 2006. The Corporation s (and the Bank s) main office is located at 33583 Woodward Avenue, Birmingham, MI 48009. The facility was opened to the public on August 21, 2006. The building is a free-standing one story office building of approximately 8,300 square feet. The branch office occupies approximately 2,815 square feet in a one story office building at 4145 West Maple Road, near the intersection of Telegraph Road in Bloomfield Township, MI, which is approximately 5 miles from the main office. The Bank has executed lease agreements with respect to each of its banking locations. Each of the leases is for a period of 10 years with renewal options. The main office lease commenced in October 2005, and the branch office lease commenced in March 2006.

At this time, neither the Corporation nor the Bank intends to own any of the properties from which the Bank conducts banking operations. The Bank has 20 full-time equivalent employees to staff its banking offices, and the Corporation does not expect that it will have any employees who are not also employees of the Bank.

The Bank uses its capital for customer loans, investments, leasehold improvements, equipment and other general banking purposes. We believe that the Corporation s minimum initial offering proceeds will enable the Bank to maintain a leverage capital ratio, which is a measure of core capital to average total assets, in excess of 8% for the first three years of operations as required by the FDIC. Accordingly, the Corporation does not anticipate raising additional capital during the 12-month period following the completion of its initial public offering. However, the Corporation cannot assure you that it will not need to raise additional capital within the next three years or over the next 12-month period.

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FINANCIAL RESULTS
ASSETS

At September 30, 2007, the Corporation s total assets were $49.6 million, an increase of $25.9 million or 109% from December 31, 2006. The largest segment of asset growth for the nine months ended September 30, 2007 was the loan portfolio, which grew by $17.9 million or 140%, fueled by a growth in deposits during the period. The largest single category increase within loans, as noted in footnote 3 to the financial statements, was commercial real estate which increase by $12.1 million. These loans are for the most part owner occupied properties. Early in the year, due to a flat and sometimes inverted yield curve, management felt it was prudent to maintain liquidity in Federal Funds sold. As the yield curve began moving to a positive slope during the second quarter, the Corporation in accordance with its asset/liability management, began purchasing mortgage backed securities to increase yield and to manage its interest rate risk as well as to emphasize fixed rate loans. At September 30, 2007, the Corporation had $5.9 million in securities, available for sale.

The allowance for loan losses was $470,000 or 1.50% of loans at September 30, 2007. There were no loan charge offs during the nine months ended September 30, 2007 and there were no past due or nonperforming loans at September 30, 2007.

Premises and equipment were $2.6 million at September 30, 2007. The Corporation has no plans for significant additions over the next twelve months.

Nonperforming loans, which consist of nonaccruing loans and loans past due 90 days or more and still accruing interest, were zero at September 30, 2007.

Loans are placed in nonaccrual status when, in the opinion of management, uncertainty exists as to the ultimate collection of principal and interest. At September 30, 2007, there were no loans placed in nonaccrual status. Commercial loans are reported as being in nonaccrual status if: (a) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (b) payment in full of interest or principal is not expected, or (c) principal or interest has been in default for a period of 90 days or more. If it can be documented that the loan obligation is both well secured and in the process of collection, the loan may stay on accrual status. However, if the loan is not brought current before becoming 120 days past due, the loan is reported as nonaccrual. A nonaccrual asset may be restored to accrual status when none of its principal or interest is due and unpaid, when it otherwise becomes well secured, or is in the process of collection.

Management evaluates the condition of the loan portfolio on a quarterly basis to determine the adequacy of the allowance for credit losses. Management s evaluation of the allowance is further based on consideration of actual loss experience, the present and prospective financial condition of borrowers, adequacy of collateral, industry concentrations within the portfolio, and general economic conditions. Management believes that the present allowance is adequate, based on the broad range of considerations listed above.

The primary risk element considered by management regarding each consumer and residential real estate loan is lack of timely payment. Management has a reporting system that monitors past due loans and has adopted policies to pursue its creditor s rights in order to preserve the Bank s position. The primary risk elements concerning commercial and industrial loans and commercial real estate loans are the financial condition of the borrower, the sufficiency of collateral, and lack of timely payment. Management has a policy of requesting and reviewing annual financial statements from its commercial loan customers and periodically reviews existence of collateral and its value.

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Although management believes that the allowance for credit losses is adequate to absorb losses as they arise, there can be no assurance that the Corporation will not sustain losses in any given period that could be substantial in relation to the size of the allowance for credit losses. Inherent risks and uncertainties related to the operation of a financial institution require management to depend on estimates, appraisals and evaluations of loans to prepare the Corporation s financial statements. Changes in economic conditions and the financial prospects of borrowers may result in changes to the estimates, appraisals and evaluations used. In addition, if circumstances and losses differ substantially from management s assumptions and estimates, the allowance for loan losses may not be sufficient to absorb all future losses and net income could be significantly impacted.

LIABILITIES

Total liabilities were $38.3 million as September 30, 2007, an increase of $28.0 million over December 31, 2006. Higher deposit levels accounted for the increase in liabilities at September 30, 2007 as the Corporation continued to grow and it opened its permanent branch office in Bloomfield Township in the early part of 2007.

In the deposit categories, noninterest bearing DDA deposits were $6.0 million, which were made up primarily of business accounts. NOW accounts which, except for limited circumstances, are owned by individuals were $8.6 million at September 30, 2007, while Money Market accounts were $9.7 million of which approximately 45% were personal accounts. Certificates of deposit were $8.9 million at September 30, 2007. Of this amount $7.2 million was in certificates greater than $100,000. All of these certificates are from local depositors.

	As of September 30, 2007	
	Balance	Percentage
Noninterest bearing demand	$ 6,037	16.00
NOW accounts	8,566	22.72
Money market	14,005	37.13
Savings	242	0.64
Time deposits under $100,000	1,685	4.47
Time deposits over $100,000	7,181	19.04
Total deposits	$ 37,716	100.00

NET INTEREST INCOME

Net interest income for the three months and nine months ended September 30, 2007 was $381,000 and $917,000 respectively. Interest income on loans was $470,000 for the three months and $1,069,000 for the nine months as loan volume continued to build which in turn has increased net interest income. Deposit interest expense of $330,000 and $774,000 for the three and nine month periods was due to the growth in NOW accounts, money markets and certificates of deposit.

The following table shows the Corporation s consolidated average balances of assets, liabilities, and equity. The table also details the amount of interest income or interest expense and the average yield or rate for each category of interest earning asset or interest bearing liability and the net interest margin for the three months and nine months ended September 30, 2007. A comparison for the periods ended September 30, 2006 is not presented as the Corporation began operations on July 26, 2006 and comparisons would not be meaningful.

	Three Months Ended September 30, 2007			Nine Months Ended September 30, 2007		
	Average Balance (000 s)	Interest Income/ Expense	Average Rate	Average Balance (000 s)	Interest Income/ Expense	Average Rate
Assets						
Loans	$ 25,079	$ 470,388	7.49%	$ 19,296	$ 1,068,700	7.38%
Securities	4,321	60,895	5.64%	1,693	69,793	5.50%
Federal funds sold	13,983	179,689	5.14%	14,105	553,001	5.23%
Total Earning Assets/ Total Interest Income/ Average Yield	43,383	710,972	6.55%	35,094	1,691,494	6.43%
Cash and due from banks	1,888			1,403		
All other assets	2,517			2,605		
Total Assets	47,788			39,102		
Liabilities and Equity						
NOW accounts	$ 8,353	83,889	4.02%	$ 5,765	175,314	4.05%
Money market	12,562	132,420	4.22%	8,925	312,649	4.67%
Savings	288	1,212	1.68%	210	2,374	1.51%
Time deposits	8,655	112,583	5.20%	7,311	283,874	5.18%
Total Interest Bearing Liabilities/	$ 29,858	330,104	4.42%	$ 22,211	774,211	4.65%
Total Interest Expense/ Average Yield						
Noninterest bearing demand deposits	$ 5,306			$ 3,713		
All other liabilities	249			163		

Shareholders Equity	$ 12,375			$ 13,015		
Net Interest Income/		$ 380,868	2.13%		$ 917,283	1.78%
Interest Rate Spread						
Net Interest Margin (Net Interest Income/Total Earning Assets)			3.51%			3.49%

PROVISION FOR CREDIT LOSSES

The provision for loan losses was $155,000 for the three months and $275,000 for the nine months ended September 30, 2007. See also Assets discussed previously.

NONINTEREST INCOME

Non-interest income for the three months ended June 30, 2007 was $29,000, and $94,000 for the nine months ended September 30, 2007. During the nine month period, $54,000 was earned for the referral of loans to other sources, $14,000 from customer service fees and $12,000 was from deposit service charges.

NONINTEREST EXPENSE

Non-interest expense for the three months and nine months ended September 30, 2007 was $917,000 and $2,796,000 respectively. Salaries and benefits continued to be the largest component, comprising $1.3 million of the amount for the nine months ended September 30, 2007. During the period, management of the Corporation examined the business trends to date and reduced staffing in several areas accordingly. Occupancy expenses decreased to $206,000 for the quarter from $250,000 the previous quarter and were $663,000 for the nine months ended September 30, 2007. During the quarter, in recognition of its substantial investment in leasehold improvements in the main office, the Corporation exercised its option for an additional 10 year lease period on the main office. The exercise will have the benefit of reducing depreciation going forward by approximately $6,000 per month or $72,000 annually. Advertising expenses were $164,000 for the nine months as the Corporation initiated several print and radio advertisements aimed at increasing name recognition in the Corporation s principal markets, sponsored several local community events and substantially updated its website. Professional fees were $183,000 for the nine months as the Corporation recognized $53,000 for external audit expenses and $83,000 for legal expenses. The largest portion of the legal expense was related to general corporate organizational purposes, the work involved with the 2006 Stock Incentive Plan, preparations and organization of the Corporation s first annual meeting and general SEC compliance. Data processing expenses were $134,000 for the nine month period of which $39,000 was related to the servicing of the Corporation s ATM and Debit card machines and customers and $95,000 was for mainframe processing of the Bank applications.

INCOME TAXES

No income tax expense or benefit was recognized during the nine months ended September 30, 2007 due to the tax loss carryforward position of the Corporation. An income tax benefit may be booked in future periods when the Corporation begins to turn a profit and management believes that profitability will be expected for the foreseeable future beyond that point.

The Corporation derives its revenues principally from interest charged on loans and, to a lesser extent, from interest earned on investments, fees received in connection with the origination of loans and other miscellaneous fees and service charges. Its principal expenses are interest expense on deposits and operating expenses. The funds for these activities are provided principally by deposit growth, purchases of federal funds from other banks, sale of loans and securities, partial or full repayment of loans by borrowers and in the future, operating revenues.

The Corporation s operations will depend substantially on its net interest income, which is the difference between the interest income earned on its loans, investments and the interest expense paid on its deposits and other borrowings. This difference is largely affected by changes in market interest rates, credit policies of monetary authorities, and other local, national or international economic factors which are beyond the Corporation s ability to predict or control. Large moves in interest rates may decrease or eliminate the Corporation s profitability.

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FUNDING OF OPERATIONS AND LIQUIDITY

The Corporation believes that the proceeds raised during the initial public offering will provide sufficient capital to support the growth of both the Corporation and the Bank for the initial years of operations. The Corporation does not anticipate that it will need to raise additional funds to meet expenditures required to operate its business or that of the Bank over the initial 12 months of operations; all anticipated material expenditures during that period are expected to be provided for out of the proceeds of the Corporation s initial public offering.

LIQUIDITY AND INTEREST RATE SENSITIVITY

Liquidity represents the ability to provide steady sources of funds for loan commitments and investment activities, as well as to maintain sufficient funds to cover deposit withdrawals and payment of debt and operating obligations. The Corporation can obtain these funds by converting assets to cash or by attracting new deposits. Its ability to maintain and increase deposits serves as its primary source of liquidity.

Net interest income, the Corporation s expected primary source of earnings, fluctuates with significant interest rate movements. The Corporation s profitability depends substantially on the Bank s net interest income, which is the difference between the interest income earned on its loans and other assets and the interest expense paid on its deposits and other liabilities. A large change in interest rates may significantly decrease the Bank s net interest income and eliminate the Corporation s profitability. Most of the factors that cause changes in market interest rates, including economic conditions, are beyond the Corporation s control. While the Corporation intends to take measures to minimize the effect that changes in interest rates will have on its net interest income and profitability, these measures may not be effective. To lessen the impact of these fluctuations, the Corporation intends to structure the balance sheet so that repricing opportunities exist for both assets and liabilities in roughly equal amounts at approximately the same time intervals. Imbalances in these repricing opportunities at any point in time constitute interest rate sensitivity.

Interest rate sensitivity refers to the responsiveness of interest-bearing assets and liabilities to changes in market interest rates. The Corporation attempts to maintain a balance between rate sensitive assets and liabilities and the changes in interest income and expense in order to minimize the Corporation s overall interest rate risk. The Corporation will regularly evaluate the balance sheet s asset mix in terms of several variables: yield, credit quality, appropriate funding sources and liquidity.

To effectively manage the balance sheet s liability mix, the Corporation will continue to focus on expanding its deposit base and converting assets to cash as necessary. As the Corporation continues to grow, it will continuously structure its rate sensitivity position in an effort to hedge against rapidly rising or falling interest rates. The Corporation s asset and liability committee meets regularly to develop strategies for the upcoming periods.

Other than increases in loans and deposits, management knows of no trends, demands, commitments, events or uncertainties that should result in or are reasonably likely to result in the Corporation s liquidity increasing or decreasing in any material way in the foreseeable future.

OFF BALANCE SHEET ARRANGEMENTS

At September 30, 2007, the Corporation had unfunded loan commitments outstanding of $9.2 million. Because these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash requirements. The Corporation has the ability to fund these commitments if required.

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ITEM 3. CONTROLS AND PROCEDURES

As of September 30, 2007, we carried out an evaluation, under the supervision and with the participation of the Corporation s management, including the Corporation s chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures, as such term is defined under Exchange Act Rules 13a-15(e) and 15d-15(e).

Based on this evaluation, the Corporation s chief executive officer and chief financial officer concluded that, as of September 30, 2007, such disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and accumulated and communicated to the Corporation s management, including the Corporation s chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, the Corporation s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and in reaching a reasonable level of assurance. The Corporation s management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

There were no changes in the Corporation s internal controls over financial reporting during the period ended September 30, 2007 that materially affected, or are reasonably likely to materially affect, the Corporation s internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There are no known pending legal proceedings to which the Corporation or the Bank is a party or to which any of its properties are subject; nor are there material proceedings known to the Corporation, in which any director, officer or affiliate or any principal shareholder is a party or has an interest adverse to the Corporation or the Bank.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

This item is not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

This item is not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

This item is not applicable.

ITEM 5. OTHER INFORMATION.

This item is not applicable.

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ITEM 6. EXHIBITS.

Exhibit Number	Description of Exhibit
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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.

	BIRMINGHAM BLOOMFIELD BANCSHARES, INC.
Date: November 12, 2007	By: /s/ Robert E. Farr Robert E. Farr Chief Executive Officer
Date: November 12, 2007	By: /s/ Richard J. Miller Richard J. Miller Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
31.1	Certification pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act
31.2	Certification pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act
32	Certification pursuant to Rules 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act and 18 U.S.C. §1350