Birmingham Bloomfield Bancshares
Form 10-Q
May 15, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2008
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

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The number of shares outstanding of the issuer s Common Stock as of May 15, 2008, was 1,800,000 shares.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED BALANCE SHEETS

	March 31, 2008 **(unaudited)**	December 31, 2007
Assets		
Cash and cash equivalents		
Cash	$ 1,647,464	$ 1,265,119
Federal funds sold	5,093,308	3,874,007
Total cash and cash equivalents	6,740,772	5,139,126
Securities, available for sale (Note 3)	1,892,506	2,595,930
Loans (Note 4)		
Total loans	43,573,345	37,106,976
Less: allowance for loan losses	(610,000)	(560,000)
Net loans	42,963,345	36,546,976
Premises & equipment (Note 6)	2,442,556	2,519,701
Interest receivable and other assets	417,713	458,157
Total assets	$ 54,456,892	$ 47,259,890
Liabilities and Shareholders Equity		
Deposits (Note 5)		
Non-interest bearing	$ 5,578,611	$ 5,385,200
Interest bearing	38,352,217	30,877,148
Total deposits	43,930,828	36,262,348
Interest payable and other liabilities	361,509	237,903
Total liabilities	44,292,337	36,500,251
Shareholders equity		
Common stock, no par value		
Authorized 4,500,000 shares Issued and outstanding 1,800,000 shares	17,034,330	17,034,330
Additional paid in capital share based payments	472,500	462,000
Accumulated deficit	(7,423,861)	(6,799,150)
Accumulated other comprehensive income	81,586	62,459

Total shareholders equity	10,164,555	10,759,639
Total liabilities and shareholders equity	$ 54,456,892	$ 47,259,890

See accompanying notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2008	2007
Interest income		
Loans, including fees	$ 650,141	$ 253,417
Taxable securities	29,145	
Federal funds sold	48,300	161,974
Total interest income	727,586	415,391
Interest expense		
Deposits	313,742	169,643
Total interest expense	313,742	169,643
Net interest income	413,844	245,748
Provision for loan losses	50,000	35,000
Net interest income after provision for loan losses	363,844	210,748
Non-interest income		
Service charges and other fees	13,537	5,075
Other income	24,448	32,761
Total non-interest income	37,985	37,836
Non-interest expense		
Salaries and benefits	549,064	434,692
Occupancy & equipment	218,960	207,753
Share based payments	10,500	
Data processing	43,727	56,028
Advertising and public relations	23,216	68,920
Professional fees	87,270	60,901
Printing and office supplies	6,536	11,884
Other expense	87,267	59,751
Total non-interest expense	1,026,540	899,929
Net loss before taxes	(624,711)	(651,345)
Income taxes		

Net loss	$ (624,711)	$ (651,345)
Basic loss per share	$ (0.35)	$ (0.36)
Diluted loss per share	$ (0.35)	$ (0.36)

See accompanying notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
January 1, 2008 to March 31, 2008
(Unaudited)

	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2008	$ 17,034,330	$ 462,000	$ (6,799,150)	$ 62,459	$ 10,759,639
Share based payments		10,500			10,500
Comprehensive loss:					
Net loss			(624,711)		(624,711)
Unrealized gain on securities				19,127	19,127
Total comprehensive loss					(605,584)
Balance at March 31, 2008	$ 17,034,330	$ 472,500	$ (7,423,861)	$ 81,586	$ 10,164,555

See accompanying notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2008	2007
Cash flows from operating activities		
Net loss	$ (624,711)	$ (651,345)
Share based payments expense	10,500	
Provision for loan losses	50,000	35,000
Accretion of securities	(3,600)	
Gain on calls of securities	(6,473)	
Depreciation expense	78,000	82,500
Net decrease (increase) in other assets	40,444	(36,949)
Net increase in other liabilities	123,606	30,225
Net cash used in operating activities	(332,234)	(540,569)
Cash flows from investing activities		
Increase in loans	(6,466,369)	(2,369,457)
Proceeds from sales, calls or maturities of securities	732,624	
Purchases of premises and equipment	(855)	(650,946)
Net cash used in investing activities	(5,734,600)	(3,020,403)
Cash flows from financing activities		
Increase in deposits	7,668,480	13,109,621
Net cash provided by financing activities	7,668,480	13,109,621
Increase in cash and cash equivalents	1,601,646	9,548,649
Cash and cash equivalents at the beginning of the period	5,139,126	8,551,001
Cash and cash equivalents at the end of the period	$ 6,740,772	$ 18,099,650
Supplemental cash flow information:		
Cash paid for interest:	$ 252,215	$ 155,334

See accompanying notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Basis of Statement Presentation

The accompanying unaudited consolidated interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) with the instructions to Form 10-Q. 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, 2007.

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 ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary the Bank of Birmingham (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation.

Recent Accounting Developments

Establishing Standards on Measuring Fair Value

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. The Statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The statement emphasizes that fair value is a market-based measurement and not an entity-specific measurement. It also establishes a fair value hierarchy used in fair value measurements and expands the required disclosures of assets and liabilities measured at fair value. The Corporation adopted SFAS 157 as of January 1, 2008. See Note 2, Fair Value Accounting for further information.

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The decision to elect the fair value option may be applied instrument by instrument, is irrevocable and is applied to the entire instrument and not only specific risks, specific cash flows or portions of that instrument. Adoption of SFAS 159 was effective for the Corporation on January 1, 2008. The Corporation did not elect the fair value option on any financial assets or liabilities as of that date.

Non-controlling Interest in Consolidated Financial Statements an amendment to ARB No. 51

In November 2007, the FASB issued SFAS 160, *Non-controlling Interest in Consolidated Financial Statements an amendment to ARB No. 51.* SFAS 160 changes the way consolidated net earnings is presented. The new standard requires consolidated net earnings to be reported at amounts attributable to both the parent and the non-controlling interest and will require disclosure on the face of the consolidated statement of income amounts

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies continued

attributable to the parent and the non-controlling interest. The statement establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that does not result in deconsolidation. The statement also requires that a parent recognize a gain or loss in net earnings when a subsidiary is deconsolidated. The adoption of SFAS 160 is effective for the Corporation on January 1, 2009. Management does not expect that the adoption of this statement will have a material impact on the Corporation s financial condition, results of operation or liquidity.

Staff Accounting Bulletin 109

In November 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 109 (SAB 109). SAB 109 expresses the views of the SEC regarding written loan commitments that are accounted for at fair value through earnings under generally accepted accounting principles. SAB 109 supersedes SAB 105 and expresses the current view of the staff that, consistent with the guidance in SFAS 156 *Accounting for Servicing of Financial Assets* and SFAS 159 *The Fair Value Option of Financial Assets and Financial Liabilities* , the expected net future cash flows related to the associated servicing of the loans should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB 109 is effective on a prospective basis for derivative loan commitments issued or modified on January 1, 2008. Management believes the adoption of SAB 109 did not have a material impact on the Corporation s financial condition, results of operation or liquidity.

Staff Accounting Bulletin 110

In December 2007, the SEC issued Staff Accounting Bulletin 110 (SAB 110). SAB 110 expresses the views of the SEC regarding the use of a simplified method in developing an estimate of expected term of plain vanilla share options as discussed in SAB 107 and issued under SFAS 123 (revised 2004) *Share-Based Payment.* The SEC indicated in SAB 107 that it would accept a company s decision to use the simplified method, regardless of whether the company has sufficient information to make more refined estimates of expected term. Under SAB 107, the SEC had believed detailed information about employee exercise behavior would be readily available and therefore would not expect companies to use the simplified method for share option grants after December 31, 2007. SAB 110 states that the SEC will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007.

Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS 133

In March 2008, the FASB issued SFAS 161 *Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS 133.* SFAS 161 requires enhanced disclosures about an entity s derivative and hedging activities and thereby improves on the transparency of financial reporting. In adopting SFAS 161, entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial positions, financial performance and cash flows. This pronouncement is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. As the Corporation does not currently hold such derivative instruments, this pronouncement will not affect the Corporation s financial condition, results of operation, liquidity or financial disclosures.

Note 2 Fair Value Accounting

On January 1, 2008, the Corporation adopted SFAS 157. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 was issued to bring conformity to the definition of fair value; prior to SFAS 157 there was no conformity in the accounting guidance regarding the definition of fair value.

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Fair Value Accounting continued

Valuation Hierarchy

SFAS 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets which the Corporation can participate.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement, and include inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Assets

Securities available for sale

All of the Corporation s securities available for sale are classified within Level 1 of the valuation hierarchy as quoted prices are available in an active market.

The following table presents the financial instruments carried at fair value as of March 31, 2008, by caption on the Consolidated Balance Sheet and by SFAS 157 valuation hierarchy (as described above):

Assets measured at fair value on a recurring basis as of March 31, 2008 (000 s omitted):

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance at March 31, 2008
Securities available for sale	$ 1,893	$	$	$ 1,893

BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 Securities

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

March 31, 2008 (unaudited)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Securities available for sale:				
Mortgage backed securities	$ 1,811	$ 82	$	$ 1,893
Total securities available for sale	$ 1,811	$ 82	$	$ 1,893

December 31, 2007	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Securities available for sale:				
U.S. Government agency securities	$ 678	$ 7	$	$ 685
Mortgage backed securities	1,855	56		1,911
Total securities available for sale	$ 2,533	$ 63	$	$ 2,596

As of March 31, 2008 and December 31, 2007, all securities are available for sale. At March 31, 2008 and December 31, 2007, there were no securities pledged to secure borrowings, public deposits or for other purposes required or permitted by law.

The amortized cost and estimated fair value of securities at March 31, 2008, 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. The contractual maturities of securities are as follows (000 s omitted):

	Amortized cost	Estimated fair value
Mortgage backed securities, due after 10 years	$ 1,811	$ 1,893

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 Loans

A summary of the balances of loans are as follows (000 s omitted):

	March 31, 2008 (unaudited)	December 31, 2007
Mortgage loans on real estate:		
Residential 1 to 4 family	$ 1,815	$ 1,816
Multifamily	2,608	1,864
Commercial	18,023	13,601
Construction	2,690	2,348
Second mortgage	772	758
Equity lines of credit	10,104	8,696
Total mortgage loans on real estate	36,012	29,083
Commercial loans	7,428	7,898
Consumer installment loans	192	177
Total loans	43,632	37,158
Less:		
Allowance for loan losses	610	560
Net deferred loan fees	59	51
Net loans	$ 42,963	$ 36,547

Activity in the allowance for loan losses for the three months ended March 31, are as follows (000 s omitted):

	Three months ended March 31,	
(unaudited)	2008	2007
Balance at beginning of period	$ 560	$ 195
Charge-offs		
Recoveries		
Provision for loan losses	50	35
Balance at end of period	$ 610	$ 230

At March 31, 2008, there were no loans considered to be impaired or over 90 days delinquent and still accruing interest.

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Deposits

Deposits are summarized as follows (000 s omitted):

	March 31, 2008 (unaudited)	December 31, 2007
Non-interest bearing deposits	$ 5,579	$ 5,385
NOW accounts	8,726	9,727
Savings and money market accounts	11,910	11,620
Certificates of deposit <$100,000	7,474	2,008
Certificates of deposit >$100,000	10,242	7,522
Total	$ 43,931	$ 36,262

At March 31, 2008, the scheduled maturities of time deposits maturing are as follows (000s omitted):

	<$100,000	>$100,000	Total
Within 12 months	$ 7,443	$ 10,242	$ 17,685
> 12 months	31		31
Total	$ 7,474	$ 10,242	$ 17,716

Note 6 Leases and Commitments

The Corporation has entered into a lease agreement for its main office. Payments began in February 2005 and the initial term of the lease expires in October 2015. In October 2007, the Corporation exercised its first renewal option on the property which expires in October 2025. The main office lease has one additional ten year renewal option. 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 Bloomfield branch office lease has one five year renewal option. Rent expense under the lease agreements was $68,000 and $67,000 for the three months ended March 31, 2008 and 2007, respectively.

The following is a schedule of future minimum rental payments under operating leases on a calendar year basis (000 s omitted):

2008	$ 206
2009	280
2010	286
2011	291
2012	298
Thereafter	3,670
Total	$ 5,031

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 ov