

BRIDGE BANCORP INC
Form 10-Q
May 05, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x

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

For the quarterly period ended March 31, 2011

Commission file number 001-34096

BRIDGE BANCORP, INC.

(Exact name of registrant as specified in its charter)

NEW YORK

(State or other jurisdiction of incorporation or organization)

11-2934195

(IRS Employer Identification Number)

2200 MONTAUK HIGHWAY, BRIDGEHAMPTON, NEW YORK

(Address of principal executive offices)

11932

(Zip Code)

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Registrant's telephone number, including area code: (631) 537-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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

There were 6,458,587 shares of common stock outstanding as of April 30, 2011.

Table of Contents

BRIDGE BANCORP, INC.

PART I - FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	1
	<u>Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010</u>	1
	<u>Consolidated Statements of Income for the Three Ended March 31, 2011 and 2010</u>	2
	<u>Consolidated Statement of Stockholders' Equity for the Three Months Ended March 31, 2011 and 2010</u>	3
	<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010</u>	4
	<u>Condensed Notes to Consolidated Financial Statements</u>	5

<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
----------------	--	----

<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
----------------	---	----

<u>Item 4.</u>	<u>Controls and Procedures</u>	38
----------------	--------------------------------	----

PART II - OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	38
----------------	--------------------------	----

<u>Item 1A.</u>	<u>Risk Factors</u>	38
-----------------	---------------------	----

<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
----------------	--	----

<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	38
----------------	--	----

<u>Item 4.</u>	<u>[Removed and Reserved]</u>	38
----------------	-------------------------------	----

<u>Item 5.</u>	<u>Other Information</u>	38
----------------	--------------------------	----

<u>Item 6.</u>	<u>Exhibits</u>	38
----------------	-----------------	----

<u>Signatures</u>		39
-------------------	--	----

Exhibit 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a)

Exhibit 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a)

Exhibit 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350

Table of Contents**Item 1. Financial Statements****BRIDGE BANCORP, INC. AND SUBSIDIARIES****Consolidated Balance Sheets (unaudited)**

(In thousands, except share and per share amounts)

	March 31, 2011	December 31, 2010
ASSETS		
Cash and due from banks	\$ 14,320	\$ 21,598
Interest earning deposits with banks	40,351	1,320
Total cash and cash equivalents	54,671	22,918
Securities available for sale, at fair value	325,964	323,539
Securities held to maturity (fair value of \$141,791 and \$148,144, respectively)	141,348	147,965
Total securities	467,312	471,504
Securities, restricted	1,284	1,284
Loans	522,674	504,060
Allowance for loan losses	(9,015)	(8,497)
Loans, net	513,659	495,563
Premises and equipment, net	23,457	23,683
Accrued interest receivable	4,409	4,153
Other assets	10,115	9,351
Total Assets	\$ 1,074,907	\$ 1,028,456
LIABILITIES AND STOCKHOLDERS EQUITY		
Demand deposits	\$ 247,949	\$ 239,314
Savings, NOW and money market deposits	586,539	544,470
Certificates of deposit of \$100,000 or more	91,116	90,574
Other time deposits	40,342	42,635
Total deposits	965,946	916,993
Federal funds purchased and Federal Home Loan Bank overnight borrowings		5,000
Repurchase agreements	16,332	16,370
Junior subordinated debentures	16,002	16,002
Accrued interest payable	367	433
Other liabilities and accrued expenses	9,331	7,938
Total Liabilities	1,007,978	962,736

Commitments and Contingencies**Stockholders equity:**

Preferred stock, par value \$.01 per share (2,000,000 shares authorized; none issued)

Common stock, par value \$.01 per share:

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Authorized: 20,000,000 shares; 6,492,676 and 6,456,742 shares issued, respectively;
6,411,490 and 6,364,656 shares outstanding, respectively

	65	64
Surplus	21,710	20,946
Retained earnings	47,146	46,463
Less: Treasury Stock at cost, 81,186 and 92,086 shares, respectively	(3,243)	(3,520)
	65,678	63,953
Accumulated other comprehensive income (loss):		
Net unrealized gain on securities, net of deferred income taxes of (\$1,983) and (\$2,336), respectively	3,012	3,549
Pension liability, net of deferred income taxes of \$1,188 and \$1,202, respectively	(1,761)	(1,782)
Total Stockholders Equity	66,929	65,720
Total Liabilities and Stockholders Equity	\$ 1,074,907	\$ 1,028,456

See accompanying condensed notes to the Unaudited Consolidated Financial Statements.

Table of Contents**BRIDGE BANCORP, INC. AND SUBSIDIARIES****Consolidated Statements of Income (unaudited)**

(In thousands, except per share amounts)

Three months ended March 31,	2011	2010
Interest income:		
Loans (including fee income)	\$ 7,955	\$ 7,282
Mortgage-backed securities and collateralized mortgage obligations	2,316	2,529
State and municipal obligations	721	570
U.S. GSE securities	399	403
Corporate Bonds	187	
Federal funds sold		5
Deposits with banks	18	9
Total interest income	11,596	10,798
Interest expense:		
Savings, NOW and money market deposits	966	874
Certificates of deposit of \$100,000 or more	243	394
Other time deposits	127	250
Federal funds purchased and repurchase agreements	134	108
Junior Subordinated Debentures	342	341
Total interest expense	1,812	1,967
Net interest income	9,784	8,831
Provision for loan losses	700	1,300
Net interest income after provision for loan losses	9,084	7,531
Non interest income:		
Service charges on deposit accounts	733	622
Fees for other customer services	480	376
Title fee income	204	255
Net securities gains		891
Other operating income	37	58
Total non interest income	1,454	2,202
Non interest expense:		
Salaries and employee benefits	4,175	3,837
Net occupancy expense	762	693
Furniture and fixture expense	306	283
FDIC assessments	308	295
Acquisition costs	233	
Other operating expenses	1,624	1,493
Total non interest expense	7,408	6,601
Income before income taxes	3,130	3,132
Income tax expense	970	1,002
Net income	\$ 2,160	\$ 2,130
Basic earnings per share	\$ 0.34	\$ 0.34
Diluted earnings per share	\$ 0.34	\$ 0.34

Comprehensive Income	\$	1,644	\$	1,875
----------------------	----	-------	----	-------

See accompanying condensed notes to the Unaudited Consolidated Financial Statements.

Table of Contents**BRIDGE BANCORP, INC. AND SUBSIDIARIES****Consolidated Statements of Stockholders Equity (unaudited)**

(In thousands, except per share amounts)

	Common Stock	Surplus	Comprehensive Income	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2011	\$ 64	\$ 20,946		\$ 46,463	\$ (3,520)	\$ 1,767	\$ 65,720
Net income			\$ 2,160	2,160			2,160
Proceeds from issuance of common stock	1	842			2		845
Stock awards granted		(336)			336		
Vesting of stock awards		(1)			(61)		(62)
Share based compensation expense		259					259
Cash dividend declared, \$0.23 per share				(1,477)			(1,477)
Other comprehensive income, net of deferred taxes:							
Change in unrealized net gains in securities available for sale, net of deferred tax effects			(537)			(537)	(537)
Adjustment to pension liability, net of deferred taxes			21			21	21
Comprehensive Income			\$ 1,644				
Balance at March 31, 2011	\$ 65	\$ 21,710		\$ 47,146	\$ (3,243)	\$ 1,251	\$ 66,929

	Common Stock	Surplus	Comprehensive Income	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2010	\$ 64	\$ 19,950		\$ 43,110	\$ (4,791)	\$ 3,522	\$ 61,855
Net income			\$ 2,130	2,130			2,130
Proceeds from issuance of common stock		139			1		140
Stock awards granted		(414)			414		
Vesting of stock awards		(1)			(5)		(6)
Exercise of stock options, including tax benefit		(5)			28		23
Share based compensation expense		208					208
Cash dividend declared, \$0.23 per share							(1,446)
Other comprehensive income, net of deferred taxes:							
Change in unrealized net gains in securities available for sale, net of deferred tax effects			(276)			(276)	(276)
Adjustment to pension liability, net of deferred taxes			21			21	21
Comprehensive Income			\$ 1,875				
Balance at March 31, 2010	\$ 64	\$ 19,877		\$ 43,794	\$ (4,353)	\$ 3,267	\$ 62,649

See accompanying condensed notes to the Unaudited Consolidated Financial Statements.

Table of Contents**BRIDGE BANCORP, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows (unaudited)**

(In thousands)

Three months ended March 31,	2011	2010
Cash flows from operating activities:		
Net Income	\$ 2,160	\$ 2,130
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	700	1,300
Depreciation and amortization	451	413
Net amortization on securities	564	284
Share based compensation expense	259	208
Tax expense from the vesting of restricted stock awards	1	1
Tax benefit from exercise of stock options		(6)
SERP expense	54	51
Net securities gains		(891)
Increase in accrued interest receivable	(256)	(617)
(Increase) decrease in other assets	(764)	1,424
Increase in accrued expenses and other liabilities	886	1,029
Net cash provided by operating activities	4,055	5,326
Cash flows from investing activities:		
Purchases of securities available for sale	(27,664)	(39,580)
Purchases of securities held to maturity	(6,178)	(47,007)
Proceeds from sales of securities available for sale		22,051
Maturities and calls of securities available for sale	5,710	6,090
Maturities and calls of securities held to maturity	10,125	430
Principal payments on securities	21,495	20,892
Net increase in loans	(18,796)	(8,237)
Purchase of premises and equipment	(225)	(940)
Net cash used in investing activities	(15,533)	(46,301)
Cash flows from financing activities:		
Net increase in deposits	48,953	13,680
Net (decrease) increase in federal funds purchased and FHLB overnight borrowings	(5,000)	9,000
Net (decrease) increase in repurchase agreements	(38)	1,535
Net proceeds from exercise of stock options		23
Net proceeds from issuance of common stock	845	140
Repurchase of surrendered stock from exercise of stock options and vesting of restricted stock awards	(62)	(6)
Cash dividends paid	(1,467)	(1,441)
Net cash provided by financing activities	43,231	22,931
Net increase (decrease) in cash and cash equivalents	31,753	(18,044)
Cash and cash equivalents at beginning of period	22,918	34,147
Cash and cash equivalents at end of period	\$ 54,671	\$ 16,103

Supplemental Information-Cash Flows:

Cash paid for:

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Interest	\$	1,878	\$	2,009
Income tax	\$		\$	1,150
Noncash investing and financing activities:				
Securities which settled in the subsequent period	\$	750	\$	2,080
Dividends declared and unpaid at end of period	\$	1,477	\$	1,446

See accompanying condensed notes to the Unaudited Consolidated Financial Statements.

Table of Contents

BRIDGE BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION

Bridge Bancorp, Inc. (the Company) is incorporated under the laws of the State of New York as a bank holding company. The Company's business currently consists of the operations of its wholly-owned subsidiary, The Bridgehampton National Bank (the Bank). The Bank's operations include its real estate investment trust subsidiary, Bridgehampton Community, Inc. (BCI) and a financial title insurance subsidiary, Bridge Abstract LLC (Bridge Abstract). In addition to the Bank, the Company has another subsidiary Bridge Statutory Capital Trust II which was formed in 2009. In accordance with current accounting guidance, the trust is not consolidated in the Company's financial statements.

The accompanying Unaudited Consolidated Financial Statements, which include the accounts of the Company and its wholly-owned subsidiary, the Bank, have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The Unaudited Consolidated Financial Statements included herein reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. In preparing the interim financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported periods. Such estimates are subject to change in the future as additional information becomes available or previously existing circumstances are modified. Actual future results could differ significantly from those estimates. The annualized results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results of operations that may be expected for the entire fiscal year. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain reclassifications have been made to prior year amounts, and the related discussion and analysis, to conform to the current year presentation. These reclassifications did not have an impact on net income or stockholders' equity. The Unaudited Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

2. EARNINGS PER SHARE

FASB ASC 260-10-45 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS). The restricted stock awards and restricted stock units granted by the Company contain nonforfeitable rights to dividends and therefore are considered participating securities. The two-class method for calculating basic EPS excludes dividends paid to participating securities and any undistributed earnings attributable to participating securities.

The computation of EPS for the three months ended March 31, 2011 and 2010 is as follows:

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

	Three months ended, March 31,	
	2011	2010
(In thousands, except per share data)		
Net Income	\$ 2,160	\$ 2,130
Less: Dividends paid on and earnings allocated to participating securities	(65)	(53)
Income attributable to common stock	\$ 2,095	\$ 2,077
Weighted average common shares outstanding, including participating securities	6,413	6,282
Less: weighted average participating securities	(191)	(163)
Weighted average common shares outstanding	6,222	6,119
Basic earnings per common share	\$ 0.34	\$ 0.34
Income attributable to common stock	\$ 2,095	\$ 2,077
Weighted average common shares outstanding	6,222	6,119
Weighted average common equivalent shares outstanding	1	1
Weighted average common and equivalent shares outstanding	6,223	6,120
Diluted earnings per common share	\$ 0.34	\$ 0.34

Table of Contents

There were 54,275 and 55,259 options outstanding at March 31, 2011 and March 31, 2010, respectively, that were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of common stock and were, therefore, antidilutive. The \$16.0 million in convertible trust preferred securities outstanding at March 31, 2011, were not included in the computation of diluted earnings per share because the assumed conversion of the trust preferred securities was antidilutive.

3. STOCK REPURCHASE PROGRAM

The Company's Board of Directors approved a stock repurchase program that authorized the repurchase of up to 309,000 shares of its common stock. These shares can be purchased from time to time in the open market or through private purchases, depending on market conditions, availability of stock, the trading price of the stock, alternative uses for capital, and the Company's financial performance. Repurchased shares are held in the Company's treasury account and may be utilized for general corporate purposes.

For the three months ended March 31, 2011 and March 31, 2010, the Company did not repurchase any of its common shares. At March 31, 2011, 167,041 shares were available for repurchase under the Board approved program.

4. STOCK BASED COMPENSATION PLANS

The Compensation Committee of the Board of Directors determines stock options and restricted stock awarded under the Bridge Bancorp, Inc. Equity Incentive Plan (Plan) and the Company accounts for this Plan under the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 718 and 505.

No new grants of stock options were awarded during the three months ended March 31, 2011 and March 31, 2010. There was no compensation expense attributable to stock options for the three months ended March 31, 2011 because all stock options were vested. Compensation expense attributable to stock options was \$10,000 for the three months ended March 31, 2010.

The intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the market price of our common stock as of the reporting date. No stock options were exercised during the first quarter of 2011. The intrinsic value of options exercised during the first quarter of 2010 was \$16,000. The intrinsic value of options outstanding and exercisable at March 31, 2011 and March 31, 2010 was \$14,000 and \$17,000, respectively.

A summary of the status of the Company's stock options as of and for the three months ended March 31, 2011 is as follows:

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, December 31, 2010	56,375	\$ 25.06		
Granted				
Exercised				
Forfeited				
Expired				
Outstanding, March 31, 2011	56,375	\$ 25.06	5.08 years	\$ 14,497
Vested and Exercisable, March 31, 2011	56,375	\$ 25.06	5.08 years	\$ 14,497

Range of Exercise Prices	Number of Options	Exercise Price
	2,100	\$ 15.47
	5,659	\$ 24.00
	43,213	\$ 25.25
	3,000	\$ 26.55
	2,403	\$ 30.60
	56,375	

Table of Contents

During the three months ended March 31, 2011, restricted stock awards of 13,188 shares were granted. These awards vest over approximately five years with a third vesting after years three, four and five. During the three months ended March 31, 2010, restricted stock awards of 15,500 shares were granted. Of the 15,500 shares granted, 11,070 shares vest over five years with a third vesting after years three, four and five. The remaining 4,430 shares vest ratably over approximately five years. Compensation expense attributable to restricted stock awards was \$227,000 and \$177,000 for the three months ended March 31, 2011, and 2010, respectively.

A summary of the status of the Company's unvested restricted stock as of and for the three months ended March 31, 2011 is as follows:

	Shares		Weighted Average Grant-Date Fair Value
Unvested, December 31, 2010	181,588	\$	21.96
Granted	13,188	\$	22.82
Vested	(14,984)	\$	22.07
Forfeited			
Unvested, March 31, 2011	179,792	\$	22.02

In April 2009, the Company adopted a Directors Deferred Compensation Plan. Under the Plan, independent directors may elect to defer all or a portion of their annual retainer fee in the form of restricted stock units. In addition, Directors receive a non-election retainer in the form of restricted stock units. These restricted stock units vest ratably over one year and have dividend rights but no voting rights. In connection with this Plan, the Company recorded expenses of approximately \$32,000 and \$21,000 for the three months ended March 31, 2011 and 2010, respectively.

5. SECURITIES

The following table summarizes the amortized cost and fair value of the available for sale and held to maturity investment securities portfolio at March 31, 2011 and December 31, 2010 and the corresponding amounts of unrealized gains and losses therein:

(In thousands)	Amortized Cost	March 31, 2011		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Available for sale:				
U.S. GSE securities	\$ 36,037	\$ 148	\$ (568)	\$ 35,617
State and municipal obligations	46,386	1,044	(348)	47,082
U.S. GSE residential mortgage-backed securities	82,676	3,222	(159)	85,739
U.S. GSE residential collateralized mortgage obligations	155,869	2,321	(664)	157,526
Total available for sale	320,968	6,735	(1,739)	325,964

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Held to maturity:							
U.S. GSE securities		19,975		110		(170)	19,915
State and municipal obligations		60,275		423		(762)	59,936
U.S. GSE residential collateralized mortgage obligations		43,098		999			44,097
Corporate Bonds		18,000				(157)	17,843
Total held to maturity		141,348		1,532		(1,089)	141,791
Total securities	\$	462,316	\$	8,267	\$	(2,828)	\$ 467,755

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Table of Contents

(In thousands)	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale:				
U.S. GSE securities	\$ 41,463	\$ 213	\$ (343)	\$ 41,333
State and municipal obligations	47,175	1,173	(283)	48,065
U.S. GSE residential mortgage-backed securities	76,814	3,481	(124)	80,171
U.S. GSE residential collateralized mortgage obligations	152,202	2,618	(850)	153,970
Total available for sale	317,654	7,485	(1,600)	323,539
Held to maturity:				
U.S. GSE securities	24,973	118	(199)	24,892
State and municipal obligations	64,728	439	(922)	64,245
U.S. GSE residential collateralized mortgage obligations	40,264	954	(53)	41,165
Corporate Bonds	18,000		(158)	17,842
Total held to maturity	147,965	1,511	(1,332)	148,144
Total securities	\$ 465,619	\$ 8,996	\$ (2,932)	\$ 471,683

The following table summarizes the amortized cost, fair value and maturities of the available for sale and held to maturity investment securities portfolio at March 31, 2011. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	March 31, 2011	
	Amortized Cost	Fair Value
Maturity		
Available for sale:		
Within one year	\$ 11,024	\$ 11,105
One to five years	42,537	42,848
Five to ten years	58,772	59,665
Beyond ten years	208,635	212,346
Total	\$ 320,968	\$ 325,964
Held to maturity:		
Within one year	\$ 14,647	\$ 14,682
One to five years	41,381	40,277
Five to ten years	21,154	22,318
Beyond ten years	64,166	64,514
Total	\$ 141,348	\$ 141,791

Securities with unrealized losses at March 31, 2011 and December 31, 2010, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

March 31, 2011 (In thousands)	Less than 12 months		Greater than 12 months	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses
Available for sale:				
U.S. GSE securities	\$ 24,921	\$ 568	\$	\$
State and municipal obligations	10,813	348		
U.S. GSE residential mortgage-backed securities	7,330	159		
U.S. GSE residential collateralized mortgage obligations	54,157	664		
Total available for sale	\$ 97,221	\$ 1,739	\$	\$
Held to maturity:				
U.S. GSE securities	\$ 9,829	\$ 170	\$	\$
State and municipal obligations	27,066	762		
Corporate Bonds	17,843	157		
Total held to maturity	\$ 54,738	\$ 1,089	\$	\$

Table of Contents

December 31, 2010 (In thousands)	Less than 12 months		Greater than 12 months	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses
Available for sale:				
U.S. GSE securities	\$ 25,145	\$ 343	\$	\$
State and municipal obligations	11,927	283		
U.S. GSE residential mortgage-backed securities	7,591	124		
U.S. GSE residential collateralized mortgage obligations	55,906	850		
Total available for sale	\$ 100,569	\$ 1,600	\$	\$
Held to maturity:				
U.S. GSE securities	\$ 9,800	\$ 199	\$	\$
State and municipal obligations	27,416	922		
U.S. GSE residential collateralized mortgage obligations	4,952	53		
Corporate Bonds	17,842	158		
Total held to maturity	\$ 60,010	\$ 1,332	\$	\$

Other-Than-Temporary-Impairment

Management evaluates securities for other-than-temporary impairment (OTTI) at least on a quarterly basis, and more frequently when economic or market conditions warrant. The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model. Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under FASB ASC 320, *Accounting for Certain Investments in Debt and Equity Securities*. In determining OTTI under the FASB ASC 320 model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the income statement and (2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

At March 31, 2011, the majority of unrealized losses on available for sale securities are related to the Company's residential collateralized mortgage obligations and U.S. GSE securities and the majority of unrealized losses on held to maturity securities are related to State and municipal obligations. The decline in fair value is attributable to changes in interest rates and not credit quality, and the Company does not have the intent to sell these securities and it is more likely than not that it will not be required to sell the securities before their anticipated recovery. Therefore, the Company does not consider these securities to be other-than-temporarily impaired at March 31, 2011.

There were no proceeds from sales of securities available for sale for the three months ended March 31, 2011 and \$22.1 million for the three months ended March 31, 2010. There were no securities gains or losses during the three months ended March 31, 2011 and gross gains of \$0.9 million were realized on the sales during the three months ended March 31, 2010. Proceeds from calls of securities available for sale were \$10.0 million and \$5.0 million for the three months ended March 31, 2011 and 2010, respectively.

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Securities having a fair value of approximately \$238.2 million and \$277.9 million at March 31, 2011 and December 31, 2010, respectively, were pledged to secure public deposits and Federal Home Loan Bank and Federal Reserve Bank overnight borrowings. The Bank did not hold any trading securities during the three months ended March 31, 2011 or the year ended December 31, 2010.

The Bank is a member of the Federal Home Loan Bank (FHLB) of New York. Members are required to own a particular amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. The Bank is a member of the Atlantic Central Bankers Bank (ACBB) is required to own ACBB stock. The Bank is also a member of the Federal Reserve Bank (FRB) system and required to own FRB stock. FHLB, ACBB and FRB stock is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The Bank owned approximately \$1.3 million in FHLB, ACBB and FRB stock at March 31, 2011 and December 31, 2010. These amounts were reported as restricted securities in the consolidated balance sheets.

Table of Contents**6. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS**

FASB ASC No. 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of securities available for sale is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Assets and liabilities measured on a recurring basis:

(In thousands)	Carrying Value	Fair Value Measurements at March 31, 2011 Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Available for sale securities:				
U.S. GSE securities	\$ 35,617		\$ 35,617	
State and municipal obligations	47,082		47,082	
U.S. GSE residential mortgage-backed securities	85,739		85,739	
U.S. GSE residential collateralized mortgage obligations	157,526		157,526	
Total available for sale	\$ 325,964		\$ 325,964	

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

(In thousands)	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Fair Value Measurements at December 31, 2010 Using:	
			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Available for sale securities:				
U.S. GSE securities	\$ 41,333		\$ 41,333	
State and municipal obligations	48,065		48,065	
U.S. GSE residential mortgage-backed securities	80,171		80,171	
U.S. GSE residential collateralized mortgage obligations	153,970		153,970	
Total available for sale	\$ 323,539		\$ 323,539	

Table of Contents

Assets measured at fair value on a non-recurring basis are summarized below:

(In thousands)	Fair Value Measurements at March 31, 2011 Using:			
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	\$			\$

(In thousands)	Fair Value Measurements at December 31, 2010 Using:			
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	\$ 693			\$ 693

For impaired and TDR loans, the Company evaluates the fair value of the loan in accordance with current accounting guidance. For loans that are collateral dependent, the fair value of the collateral is used to determine the fair value of the loan. The fair value of the collateral is determined based upon recent appraised values. The fair value of the loan is compared to the carrying value to determine if any write-down or specific reserve is required. These methods of fair value measurement for impaired and TDR loans are considered level 3 within the fair value hierarchy described in current accounting guidance. There were no impaired or TDR loans with an allocated allowance for loan losses at March 31, 2011. Impaired loans with allocated allowance for loan losses at December 31, 2010, had a carrying amount of \$693,000, which is made up of the outstanding balance of \$700,000, net of a valuation allowance of \$7,000. This resulted in an additional provision for loan losses of \$7,000 that is included in the amount reported on the income statement as of December 31, 2010.

The Company used the following method and assumptions in estimating the fair value of its financial instruments:

Cash and Due from Banks and Federal Funds Sold: Carrying amounts approximate fair value, since these instruments are either payable on demand or have short-term maturities.

Securities Available for Sale and Held to Maturity: The estimated fair values are based on independent dealer quotations on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Restricted Stock: It is not practicable to determine the fair value of FHLB, Atlantic Central Banker s Bank and FRB stock due to restrictions placed on its transferability.

Loans: The estimated fair values of real estate mortgage loans and other loans receivable are based on discounted cash flow calculations that use available market benchmarks when establishing discount factors for the types of loans. All nonaccrual loans are carried at their current fair value. Exceptions may be made for adjustable rate loans (with resets of one year or less), which would be discounted straight to their rate index plus or minus an appropriate spread.

Deposits: The estimated fair value of certificates of deposits are based on discounted cash flow calculations that use a replacement cost of funds approach to establishing discount rates for certificates of deposits maturities. Stated value is fair value for all other deposits.

Borrowed Funds: The estimated fair value of borrowed funds are based on discounted cash flow calculations that use a replacement cost of funds approach to establishing discount rates for funding maturities.

Junior Subordinated Debentures: The estimated fair value is based on estimates using market data for similarly risk weighted items taking into consideration the convertible features of the debentures into common stock of the Company.

Table of Contents

Accrued Interest Receivable and Payable: For these short-term instruments, the carrying amount is a reasonable estimate of the fair value.

Off-Balance-Sheet Liabilities: The fair value of off-balance-sheet commitments to extend credit is estimated using fees currently charged to enter into similar agreements. The fair value is immaterial as of March 31, 2011 and December 31, 2010.

Fair value estimates are made at specific points in time and are based on existing on-and off-balance sheet financial instruments. Such estimates are generally subjective in nature and dependent upon a number of significant assumptions associated with each financial instrument or group of financial instruments, including estimates of discount rates, risks associated with specific financial instruments, estimates of future cash flows, and relevant available market information. Changes in assumptions could significantly affect the estimates. In addition, fair value estimates do not reflect the value of anticipated future business, premiums or discounts that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument, or the tax consequences of realizing gains or losses on the sale of financial instruments.

The estimated fair values and recorded carrying values of the Bank's financial instruments are as follows:

(In thousands)	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	\$ 14,320	\$ 14,320	\$ 21,598	\$ 21,598
Interest bearing deposits with banks	40,351	40,351	1,320	1,320
Securities available for sale	325,964	325,964	323,539	323,539
Securities restricted	1,284	n/a	1,284	n/a
Securities held to maturity	141,348	141,791	147,965	148,144
Loans, net	513,659	528,988	495,563	513,344
Accrued interest receivable	4,409	4,409	4,153	4,153
Financial liabilities:				
Demand and other deposits	965,946	966,685	916,993	917,786
Federal funds purchased and Federal Home Loan Bank overnight borrowings			5,000	5,000
Repurchase agreements	16,332	17,362	16,370	17,383
Junior Subordinated Debentures	16,002	14,547	16,002	14,783
Accrued interest payable	367	367	433	433

7. LOANS

The following table sets forth the major classifications of loans:

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

(In thousands)	March 31, 2011		December 31, 2010	
Commercial real estate mortgage loans	\$	251,019	\$	245,265
Residential real estate mortgage loans		147,261		140,986
Commercial, financial, and agricultural loans		98,209		97,663
Installment/consumer loans		10,104		9,659
Real estate construction and land loans		15,651		9,928
Total loans		522,244		503,501
Net deferred loan costs and fees		430		559
		522,674		504,060
Allowance for loan losses		(9,015)		(8,497)
Net loans	\$	513,659	\$	495,563

Table of Contents

Lending Risk

The principal business of the Bank is lending, primarily in commercial real estate mortgage loans, residential real estate mortgage loans, construction loans, home equity loans, commercial and industrial loans, land loans and consumer loans. The Bank considers its primary lending area to be eastern Long Island in Suffolk County, New York, and a substantial portion of the Bank's loans are secured by real estate in this area. Accordingly, the ultimate collectability of such a loan portfolio is susceptible to changes in market and economic conditions in this region.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt including repayment patterns, probable incurred losses, past loss experience, current economic conditions, and various types of concentrations of credit. The Company uses the following definitions for risk rating grades:

Pass: Loans classified as pass include current loans performing in accordance with contractual terms, pools of homogenous residential real estate and installment/consumer loans that are not individually risk rated and loans which exhibit certain risk factors that require greater than usual monitoring by management.

Special mention: Loans classified as special mention, while generally not delinquent, have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date.

Substandard: Loans classified as substandard have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. There is a distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in a substandard loan, and may also be at delinquency status and have defined weaknesses based on currently existing facts, conditions and values making collection or liquidation in full highly questionable and improbable.

The following table represents loans by class categorized by internally assigned risk grades as of March 31, 2011 and December 31, 2010:

	Grades:				
March 31, 2011	Pass	Special Mention	Substandard	Doubtful	Total

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

(In thousands)										
Commercial real estate:										
Owner occupied	\$	119,446	\$	5,517	\$	3,656	\$	128,619		
Non-owner occupied		106,926		6,955		8,519		122,400		
Residential real estate:										
First lien		80,622				714		1,254	82,590	
Home equity		62,347				2,029		295	64,671	
Commercial:										
Secured		47,659		1,816		2,996			52,471	
Unsecured		43,235		1,429		1,074			45,738	
Installment/consumer loans		9,929		175					10,104	
Real estate construction and land										
loans		7,816		701		6,884		250	15,651	
Total loans	\$	477,980	\$	16,593	\$	25,872	\$	1,799	\$	522,244

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Table of Contents

December 31, 2010 (In thousands)	Pass	Special Mention	Grades:		Doubtful	Total
			Substandard			
Commercial real estate:						
Owner occupied	\$ 110,395	\$ 4,892	\$ 4,298		\$ 250	\$ 119,585
Non-owner occupied	107,095	7,652	10,683			125,680
Residential real estate:						
First lien	71,686		1,194		1,269	74,149
Home equity	64,708		1,834		295	66,837
Commercial:						
Secured	49,146	1,949	3,212			54,307
Unsecured	41,058	1,072	1,226			43,356
Installment/consumer loans	9,484	175				9,659
Real estate construction and land loans						
	6,020	223	3,685			9,928
Total loans	\$ 459,592	\$ 15,963	\$ 26,132		\$ 1,814	\$ 503,501

Past Due and Nonaccrual Loans

The following table represents the aging of the recorded investment in past due loans as of March 31, 2011 and December 31, 2010 by class of loans, as defined by ASC 310-10:

March 31, 2011 (In thousands)	30-59 Days Past Due	60-89 Days Past Due	Nonaccrual Including 90 Days or More Past Due	Total Past Due and Nonaccrual	Current	Total Loans
Commercial real estate:						
Owner occupied	\$	\$	\$ 495	\$ 495	\$ 128,124	\$ 128,619
Non-owner occupied	3,343		228	3,571	118,829	122,400
Residential real estate:						
First lien			1,254	1,254	81,336	82,590
Home equity	764	263	1,906	2,933	61,738	64,671
Commercial:						
Secured					52,471	52,471
Unsecured	55	295	163	513	45,225	45,738
Installment/consumer loans	2		11	13	10,091	10,104
Real estate construction and land loans						
	204		3,414	3,618	12,033	15,651
Total loans	\$ 4,368	\$ 558	\$ 7,471	\$ 12,397	\$ 509,847	\$ 522,244

December 31, 2010 (In thousands)	30-59 Days Past Due	60-89 Days Past Due	Nonaccrual Including 90 Days or More Past Due	Total Past Due and Nonaccrual	Current	Total Loans
Commercial real estate:						
Owner occupied	\$	\$ 511		\$ 511	\$ 119,074	\$ 119,585

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Non-owner occupied			478	478	125,202	125,680
Residential real estate:						
First lien	151	165	1,747	2,063	72,086	74,149
Home equity	782	298	1,696	2,776	64,061	66,837
Commercial:						
Secured	10			10	54,297	54,307
Unsecured	105		32	137	43,219	43,356
Installment/consumer loans	10	5	86	101	9,558	9,659
Real estate construction and land loans			2,686	2,686	7,242	9,928
Total loans	\$ 1,058	\$ 979	\$ 6,725	\$ 8,762	\$ 494,739	\$ 503,501

Table of Contents

There were no loans 90 days or more past due that were still accruing interest at March 31, 2011 and December 31, 2010.

Impaired Loans

As of March 31, 2011 and December 31, 2010, the Company had impaired loans as defined by FASB ASC No. 310, "Receivables" of \$10.7 million and \$9.9 million, respectively. For a loan to be considered impaired, management determines after review whether it is probable that the Bank will not be able to collect all amounts due according to the contractual terms of the loan agreement. Additionally management applies its normal loan review procedures in making these judgments. Impaired loans include individually classified nonaccrual loans and troubled debt restructured (TDR) loans. For impaired loans, the Bank evaluates the impairment of the loan in accordance with FASB ASC 310-10-35-22. Impairment is determined based on the present value of expected future cash flows discounted at the loan's effective interest rate. For loans that are collateral dependent, the fair value of the collateral is used to determine the fair value of the loan. The fair value of the collateral is determined based upon recent appraised values. The fair value of the collateral or present value of expected cash flows is compared to the carrying value to determine if any write-down or specific loan loss allowance allocation is required.

Nonaccrual loans were \$7.5 million or 1.43% of total loans at March 31, 2011 and were \$6.7 million or 1.34% of total loans at December 31, 2010. Approximately \$4.7 million of the nonaccrual loans at March 31, 2011 and at December 31, 2010, represent troubled debt restructured loans. As of March 31, 2011 one of the borrowers with loans totaling \$1.5 million are complying with the modified terms of the loans and are currently making payments. Another borrower with loans totaling \$3.2 million is past due and the Bank has initiated the foreclosure process. Total troubled debt restructured loans are secured with collateral that has a fair value of \$7.2 million. Furthermore, the Bank has no commitment to lend additional funds to these debtors.

In addition, the Company has one borrower with TDR loans of \$3.2 million at March 31, 2011 and December 31, 2010, that are current and are secured with collateral that has a fair value of approximately \$5.4 million as well as personal guarantors. Management believes that the ultimate collection of principal and interest is reasonably assured and therefore continues to recognize interest income on an accrual basis. In addition, the Bank has no commitment to lend additional funds to this debtor. The loans were determined to be impaired during the third quarter of 2008 and since that determination \$0.3 million of interest income has been recognized.

The following table represents impaired loans by class at March 31, 2011 and December 31, 2010:

March 31, 2011	Recorded	Unpaid	Related	Average	Interest
(In thousands)	Investment	Principal	Allocated	Recorded	Income
		Balance	Allowance	Investment	Recognized
With no related allowance recorded:					
Commercial real estate:					
Owner occupied	\$ 3,681	\$ 3,693	\$	\$ 3,732	\$ 312
Non-owner occupied	228	228		228	
Residential real estate:					
First lien	1,254	1,329		1,262	

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Home equity	1,906	1,993	1,979
Commercial:			
Secured			
Unsecured	163	163	165
Installment/consumer loans	11	12	12
Real estate construction and land loans	3,414	3,671	3,414
Total with no related allowance recorded	\$ 10,657	\$ 11,089	\$ 10,792
			312

Table of Contents

December 31, 2010 (In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allocated Allowance
With no related allowance recorded:			
Commercial real estate:			
Owner occupied	\$ 3,219	\$ 3,219	\$
Non-owner occupied	478	599	
Residential real estate:			
First lien	1,747	1,829	
Home equity	996	996	
Commercial:			
Secured			
Unsecured	32	35	
Installment/consumer loans	86	86	
Real estate construction and land loans	2,686	2,800	
Total with no related allowance recorded	\$ 9,244	\$ 9,564	\$
With an allowance recorded:			
Residential real estate - Home equity	\$ 700	\$ 700	\$ 7
Total with an allowance recorded:	\$ 700	\$ 700	\$ 7
Total:			
Commercial real estate:			
Owner occupied	\$ 3,219	\$ 3,219	\$
Non-owner occupied	478	599	
Residential real estate:			
First lien	1,747	1,829	
Home equity	1,696	1,696	7
Commercial:			
Secured			
Unsecured	32	35	
Installment/consumer loans	86	86	
Real estate construction and land loans	2,686	2,800	
Total	\$ 9,944	\$ 10,264	\$ 7

Residential home equity loans represent the only class of impaired loans with a related allowance recorded at December 31, 2010. The average recorded investment in the impaired loans was \$10.1 million for the year ended December 31, 2010. At March 31, 2011, each impaired loan was analyzed and written down to its net realizable value if the loan balance was higher than the net realizable value of its associated collateral.

The Bank had no foreclosed real estate at March 31, 2011, December 31, 2010 and March 31, 2010, respectively.

8. ALLOWANCE FOR LOAN LOSSES

Management considers the accounting policy on the allowance for loan losses to be the most critical and requires complex management judgment as discussed below. The judgments made regarding the allowance for loan losses can have a material effect on the results of operations

of the Company.

The allowance for loan losses is established and maintained through a provision for loan losses based on probable incurred losses inherent in the Bank's loan portfolio. Management evaluates the adequacy of the allowance on a quarterly basis. The allowance is comprised of both individual valuation allowances and loan pool valuation allowances. If the allowance for loan losses is not sufficient to cover actual loan losses, the Company's earnings could decrease.

The Bank monitors its entire loan portfolio on a regular basis, with consideration given to detailed analysis of classified loans, repayment patterns, probable incurred losses, past loss experience, current economic conditions, and various types of concentrations of credit. Additions to the allowance are charged to expense and realized losses, net of recoveries, are charged to the allowance.

Table of Contents

Individual valuation allowances are established in connection with specific loan reviews and the asset classification process including the procedures for impairment testing under FASB Accounting Standard Codification (ASC) No. 310, Receivables. Such valuation, which includes a review of loans for which full collectibility in accordance with contractual terms is not reasonably assured, considers the estimated fair value of the underlying collateral less the costs to sell, if any, or the present value of expected future cash flows, or the loan's observable market value. Any shortfall that exists from this analysis results in a specific allowance for the loan. Pursuant to our policy, loan losses must be charged-off in the period the loans, or portions thereof, are deemed uncollectible. Assumptions and judgments by management, in conjunction with outside sources, are used to determine whether full collectibility of a loan is not reasonably assured. These assumptions and judgments are also used to determine the estimates of the fair value of the underlying collateral or the present value of expected future cash flows or the loan's observable market value. Individual valuation allowances could differ materially as a result of changes in these assumptions and judgments. Individual loan analyses are periodically performed on specific loans considered impaired. The results of the individual valuation allowances are aggregated and included in the overall allowance for loan losses.

Loan pool valuation allowances represent loss allowances that have been established to recognize the inherent risks associated with our lending activities, but which, unlike individual allowances, have not been allocated to particular problem assets. Pool evaluations are broken down into loans with homogenous characteristics by loan type and include commercial real estate mortgages, owner and non-owner occupied; residential real estate mortgages, first lien and home equity; commercial loans, secured and unsecured; installment/consumer loans; and real estate construction and land loans. The determination of the adequacy of the valuation allowance is a process that takes into consideration a variety of factors. The Bank has developed a range of valuation allowances necessary to adequately provide for probable incurred losses inherent in each pool of loans. We consider our own charge-off history along with the growth in the portfolio as well as the Bank's credit administration and asset management philosophies and procedures, and concentrations in the portfolio when determining the allowances for each pool. In addition, we evaluate and consider the credit's risk rating which includes management's evaluation of: cash flow, collateral, guarantor support, financial disclosures, industry trends and strength of borrowers' management, the impact that economic and market conditions may have on the portfolio as well as known and inherent risks in the portfolio. Finally, we evaluate and consider the allowance ratios and coverage percentages of both peer group and regulatory agency data. These evaluations are inherently subjective because, even though they are based on objective data, it is management's interpretation of that data that determines the amount of the appropriate allowance. If the evaluations prove to be incorrect, the allowance for loan losses may not be sufficient to cover losses inherent in the loan portfolio, resulting in additions to the allowance for loan losses.

The Credit Risk Committee is comprised of members of both management and the Board of Directors. The adequacy of the allowance is analyzed quarterly, with any adjustment to a level deemed appropriate by the Credit Risk Committee, based on its risk assessment of the entire portfolio. Based on the Credit Risk Committee's review of the classified loans and the overall allowance levels as they relate to the entire loan portfolio at March 31, 2011, December 31, 2010 and March 31, 2010, management believes the allowance for loan losses has been established at levels sufficient to cover the probable incurred losses in the Bank's loan portfolio. Future additions or reductions to the allowance may be necessary based on changes in economic, market or other conditions. Changes in estimates could result in a material change in the allowance. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the allowance for loan losses. Such agencies may require the Bank to recognize adjustments to the allowance based on their judgments of the information available to them at the time of their examination.

The following table sets forth changes in the allowance for loan losses:

(In thousands)	For the Three Months Ended			For the Year Ended	
	March 31, 2011		March 31, 2010	December 31, 2010	
Beginning balance	\$	8,497	\$	6,045	\$ 6,045
Provision for loan loss		700		1,300	3,500

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Net charge-offs		(182)		(313)	(1,048)
Ending balance	\$	9,015	\$	7,032	\$ 8,497

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Table of Contents

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment, as defined under ASC 310-10, and based on impairment method as of March 31, 2011 and December 31, 2010. The loan segment represents the categories that the Bank develops to determine its allowance for loan losses.

March 31, 2011 (In thousands)	Commercial Real Estate Mortgage Loans	Residential Real Estate Mortgage Loans	Commercial, Financial and Agricultural Loans	Installment/ Consumer Loans	Real Estate Construction and Land Loans	Unallocated	Total
Allowance for Loan Losses:							
Beginning balance	\$ 3,443	\$ 1,642	\$ 2,804	\$ 423	\$ 185	\$	\$ 8,497
Charge-offs		(88)	(21)	(90)			(199)
Recoveries		2	11	4			17
Provision	72	819	(331)	(43)	183		700
Ending Balance	\$ 3,515	\$ 2,375	\$ 2,463	\$ 294	\$ 368	\$	\$ 9,015
Ending balance: individually evaluated for impairment	\$	\$	\$	\$	\$	\$	\$
Ending balance: collectively evaluated for impairment	\$ 3,515	\$ 2,375	\$ 2,463	\$ 294	\$ 368	\$	\$ 9,015
Loans	\$ 251,019	\$ 147,261	\$ 98,209	\$ 10,104	\$ 15,651	\$	\$ 522,244
Ending balance: individually evaluated for impairment	\$ 3,909	\$ 3,157	\$ 105	\$	\$ 3,414	\$	\$ 10,585
Ending balance: collectively evaluated for impairment	\$ 247,110	\$ 144,104	\$ 98,104	\$ 10,104	\$ 12,237	\$	\$ 511,659
December 31, 2010 (In thousands)	Commercial Real Estate Mortgage Loans	Residential Real Estate Mortgage Loans	Commercial, Financial and Agricultural Loans	Installment/ Consumer Loans	Real Estate Construction and Land Loans	Unallocated	Total
Allowance for Loan Losses	\$ 3,443	\$ 1,642	\$ 2,804	\$ 423	\$ 185	\$	\$ 8,497
Ending balance: individually evaluated for impairment	\$	\$ 7	\$	\$	\$	\$	\$ 7
Ending balance: individually evaluated for impairment	\$ 3,443	\$ 1,635	\$ 2,804	\$ 423	\$ 185	\$	\$ 8,490
Loans	\$ 245,265	\$ 140,986	\$ 97,663	\$ 9,659	\$ 9,928	\$	\$ 503,501
Ending balance: individually evaluated for impairment	\$ 6,197	\$ 3,443	\$ 102	\$ 4	\$ 2,686	\$	\$ 12,432
Ending balance: individually evaluated for impairment	\$ 239,068	\$ 137,543	\$ 97,561	\$ 9,655	\$ 7,242	\$	\$ 491,069

Table of Contents**9. EMPLOYEE BENEFITS**

The Bank maintains a noncontributory pension plan through the New York State Bankers Association Retirement System covering all eligible employees. The Bank uses a December 31st measurement date for this plan in accordance with FASB ASC 715-30 *Compensation - Retirement Benefits - Defined Benefit Plans - Pension* .

The Bridgehampton National Bank Supplemental Executive Retirement Plan (SERP) provides benefits to certain employees, as recommended by the Compensation Committee of the Board of Directors and approved by the full Board of Directors, whose benefits under the Pension Plan are limited by the applicable provisions of the Internal Revenue Code. The benefit under the SERP is equal to the additional amount the employee would be entitled to under the Pension Plan and the 401(k) Plan in the absence of such Internal Revenue Code limitations. The assets of the SERP are held in a rabbi trust to maintain the tax-deferred status of the plan and are subject to the general, unsecured creditors of the Company. As a result, the assets of the trust are reflected on the Consolidated Balance Sheets of the Company. The effective date of the SERP was January 1, 2001.

The Company made a \$227,833 contribution to the pension plan during the three months ended March 31, 2011. There were no contributions made to the SERP during the three months ended March 31, 2011. In accordance with the SERP, a retired executive received a distribution from the Plan totaling \$28,000 during the three months ended March 31, 2011.

The Company's funding policy with respect to its benefit plans is to contribute at least the minimum amounts required by applicable laws and regulations.

The following table sets forth the components of net periodic benefit cost and other amounts recognized in Other Comprehensive Income:

(In thousands)	Three months ended March 31,			
	Pension Benefits		SERP Benefits	
	2011	2010	2011	2010
Service cost	\$ 227	\$ 190	\$ 27	\$ 24
Interest cost	119	107	14	15
Expected return on plan assets	(188)	(168)		
Amortization of net loss	25	26		
Amortization of unrecognized prior service cost	2	2		
Amortization of unrecognized transition (asset) obligation			7	7
Net periodic benefit cost	\$ 185	\$ 157	\$ 48	\$ 46

10. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

At March 31, 2011, March 31, 2010 and December 31, 2010, securities sold under agreements to repurchase totaled \$16.3 million, \$16.5 million, and \$16.4 million respectively and were secured by U.S. GSE, mortgage-backed securities and collateralized mortgage obligations with a carrying amount of \$21.7 million, \$21.5 million and \$22.3 million, respectively.

Securities sold under agreements to repurchase are financing arrangements with \$1.3 million maturing during the second quarter 2011, \$5.0 million maturing during the first quarter of 2013 and \$10.0 million maturing during the first quarter of 2015. At maturity, the securities underlying the agreements are returned to the Company. Information concerning the securities sold under agreements to repurchase is summarized as follows:

(Dollars in thousands)	For the three months ended		For the year ended	
	March 31, 2011	March 31, 2010	December 31, 2010	
Average daily balance	\$ 16,366	\$ 15,525	\$	16,648
Average interest rate	3.30%	2.80%		3.10%
Maximum month-end balance	\$ 16,332	\$ 16,535	\$	17,192
Weighted average interest rate	3.26%	3.23%		3.21%

Table of Contents

11. JUNIOR SUBORDINATED DEBENTURES

In December 2009, the Company completed the private placement of \$16.0 million in aggregate liquidation amount of 8.50% cumulative convertible trust preferred securities (the TPS), through its wholly-owned subsidiary, Bridge Statutory Capital Trust II. The TPS have a liquidation amount of \$1,000 per security and are convertible into our common stock, at an effective conversion price of \$31 per share. The TPS mature in 30 years but are callable by the Company at par any time after September 30, 2014.

The Company issued \$16.0 million of junior subordinated debentures (the Debentures) to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. In accordance with current accounting guidance, the trust is not consolidated in the Company's financial statements, but rather the Debentures are shown as a liability. The Debentures bear interest at a fixed rate equal to 8.50% and mature on December 31, 2039. Consistent with regulatory requirements, the interest payments may be deferred for up to 5 years, and are cumulative. The Debentures have the same prepayment provisions as the TPS.

The Debentures are included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

12. BUSINESS COMBINATIONS

On February 8, 2011, the Company announced a definitive merger agreement under which the Bank will acquire Hamptons State Bank. The transaction augments the Bank's franchise in eastern Long Island and the combined entity will serve customers through a network of 20 branches and have total assets of approximately \$1.1 billion and deposits of \$1.0 billion.

Under the terms of the Agreement, each share of Hamptons State Bank will be converted into 0.3434 shares of the Company's common stock. The Company will issue approximately 274,000 shares, which will represent 4.1% of the total shares of the Company's common stock to be outstanding. Based upon the Company's closing stock price on February 7, 2011, the transaction value is approximately \$6.3 million and represents 136% of Hamptons State Bank's tangible book value as of December 31, 2010, and a 4.4% premium on core deposits.

The acquisition, which has been unanimously approved by the boards of directors of the Company and Hamptons State Bank, is subject to the approval of Hamptons State Bank shareholders and the approval of bank regulatory authorities, as well as other customary conditions. On April 25, 2011, the Company received notification of regulatory approval from its primary regulator, the Office of the Comptroller of the Currency. The transaction is expected to close in the second quarter of 2011.

13. RECENT ACCOUNTING PRONOUNCEMENTS

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-2, A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring (ASU 2011-2). ASU 2011-2 clarifies the guidance for determining whether a loan restructuring constitutes a troubled debt restructuring (TDR) outlined in Accounting Standards Codification (ASC) No. 310-40,

Receivables Troubled Debt Restructurings by Creditors, by providing additional guidance to a creditor in making the following required assessments needed to determine whether a restructuring is a TDR: (i) whether or not a concession has been granted in a debt restructuring; (ii) whether a temporary or permanent increase in the contractual interest rate precludes the restructuring from being a TDR; (iii) whether a restructuring results in an insignificant delay in payment; (iv) whether a borrower that is not currently in payment default is experiencing financial difficulties; and (v) whether a creditor can use the effective interest rate test outlined in debtor's guidance on restructuring of payables (ASC Topic No. 470-60-55-10) when evaluating whether or not a restructuring constitutes a TDR. This update is effective the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. Adoption of ASU 2011-2 is not expected to have a material effect.

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20). ASU 2010-20 requires companies to provide a greater level of disaggregated information regarding: (1) the credit quality of their financing receivables; and (2) their allowance for credit losses. ASU 2010-20 further requires companies to disclose credit quality indicators, past due information, and modifications of their financing receivables. For public companies, ASU 2010-20 is effective for interim and annual reporting periods ending on or after December 15, 2010. ASU 2010-20 encourages, but does not require, comparative disclosures for earlier reporting periods that ended before initial adoption. Adoption of ASU 2010-20 did not have a material impact on the Company.

Table of Contents

In January 2010, FASB issued Accounting Standards Update No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU 2010-6). ASU 2010-6 required new disclosures related to transfers in and out of fair value hierarchy Levels 1 and 2, as well as certain activities for assets whose fair value is measured under the Level 3 hierarchy. ASU 2010-6 also provided amendments clarifying the level of disaggregation and disclosures about inputs and valuation techniques along with conforming amendments to the guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-6 was effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption of ASU 2010-6 has not had, and is not expected to have, a material impact on the Company.

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

Private Securities Litigation Reform Act Safe Harbor Statement

This report may contain statements relating to the future results of the Company (including certain projections and business trends) that are considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 (the PSLRA). Such forward-looking statements, in addition to historical information, which involve risk and uncertainties, are based on the beliefs, assumptions and expectations of management of the Company. Words such as expects, believes, should, plans, anticipates, will, potential, could, intend, may, project, would, estimated, assumes, likely, and variation of such similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements include, but are not limited to, possible or assumed estimates with respect to the financial condition, expected or anticipated revenue, and results of operations and business of the Company and Hamptons State Bank, including earnings growth; revenue growth in retail banking lending and other areas; origination volume in the consumer, commercial and other lending businesses; current and future capital management programs; non-interest income levels, including fees from the title abstract subsidiary and banking services as well as product sales; tangible capital generation; market share; expense levels; and other business operations and strategies. For this presentation, the Company claims the protection of the safe harbor for forward-looking statements contained in the PSLRA.

Factors that could cause future results to vary from current management expectations include, but are not limited to, changing economic conditions; legislative and regulatory changes, including increases in FDIC insurance rates; monetary and fiscal policies of the federal government; changes in tax policies; rates and regulations of federal, state and local tax authorities; changes in interest rates; deposit flows; the cost of funds; demands for loan products; demand for financial services; competition; changes in the quality and composition of the Bank's loan and investment portfolios; changes in management's business strategies; changes in accounting principles, policies or guidelines, changes in real estate values; the growth opportunities and cost savings anticipated from the Hamptons State Bank merger may not be fully realized or may take longer than expected; operating costs, customer losses and business disruptions may occur following the Hamptons State Bank merger; and other factors discussed elsewhere in this report, factors set forth under Item 1A., Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2010 and in other reports filed by the Company with the Securities and Exchange Commission. The forward-looking statements are made as of the date of this report, and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

Overview

Who We Are and How We Generate Income

Bridge Bancorp, Inc. (the Company), a New York corporation, is a bank holding company formed in 1989. On a parent-only basis, the Company has had minimal results of operations. The Company is dependent on dividends from its wholly owned subsidiary, The Bridgehampton National Bank (the Bank), its own earnings, additional capital raised, and borrowings as sources of funds. The information in this report reflects principally the financial condition and results of operations of the Bank. The Bank's results of operations are primarily dependent on its net interest income, which is mainly the difference between interest income on loans and investments and interest expense on deposits and borrowings. The Bank also generates non interest income, such as fee income on deposit accounts, merchant credit and debit card processing programs, investment services, income from its title abstract subsidiary, and net gains on sales of securities and loans. The level of its non interest expenses, such as salaries and benefits, occupancy and equipment costs, other general and administrative expenses, expenses from its title insurance subsidiary, and income tax expense, further affects the Bank's net income. Certain reclassifications have been made to prior year amounts and the related discussion and analysis to conform to the current year presentation.

Table of Contents

Quarterly Highlights

- Net income of \$2.2 million or \$0.34 per diluted share, including \$0.2 million in acquisition costs, net of tax, associated with the proposed Hamptons State Bank (HSB) merger announced on February 8, 2011. Net income excluding the impact of acquisition costs, net of tax, of \$0.2 million was \$2.3 million or \$0.36 per diluted share for the quarter ended March 31, 2011 as compared to net income of \$2.1 million or \$0.34 per diluted share for the first quarter 2010. (a)
- Returns on average assets and equity were 0.83% and 13.64%, respectively. Returns on average assets and equity, excluding the impact of acquisition costs, net of tax, of \$0.2 million were 0.89% and 14.65%, respectively. (a)
- Net interest income increased to \$9.8 million for the first quarter of 2011 compared to \$8.8 million in 2010.
- Net interest margin was 4.14% for the first quarter of 2011 compared to 4.34% for the 2010 period.
- Total loans at March 31, 2011 of \$522.7 million, increased \$18.6 million or 3.7% over December 31, 2010 and increased \$66.7 million or 14.6% over March 31, 2010.
- Total assets of \$1.07 billion at March 31, 2011, increased \$46.5 million or 4.5% compared to December 31, 2010 and increased \$151.8 million or 16.4% compared to March 31, 2010.
- Deposits of \$965.9 million, increased \$49.0 million or 5.3% over December 31, 2010 and increased \$158.7 million or 19.7% compared to March 31, 2010 levels.
- Allowance for loan losses increased as a percentage to Loans to 1.72% as of March 31, 2011 compared to 1.69% at December 31, 2010 and 1.54% at March 31, 2010.
- Tier 1 Capital increased \$6.3 million to \$81.7 million as of March 31, 2011, compared to March 31, 2010.

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

- A cash dividend of \$0.23 per share was declared for the first quarter of 2011.

(a) Net income, returns on average assets and equity excluding the impact of acquisition costs, net of tax, of \$0.2 million is a non-GAAP financial measure that management believes provides investors with information that is useful in understanding the Bank's financial performance. These financial measures should not be considered in isolation or as a substitute for results determined in accordance with GAAP, and are not necessarily comparable to non-GAAP financial measures which may be presented by other bank holding companies.

Principal Products and Services and Locations of Operations

The Bank operates nineteen branches on eastern Long Island. Federally chartered in 1910, the Bank was founded by local farmers and merchants. For a century, the Bank has maintained its focus on building customer relationships in this market area. The mission of the Company is to grow through the provision of exceptional service to its customers, its employees, and the community. The Company strives to achieve excellence in financial performance and build long term shareholder value. The Bank engages in full service commercial and consumer banking business, including accepting time, savings and demand deposits from the consumers, businesses and local municipalities surrounding its branch offices. These deposits, together with funds generated from operations and borrowings, are invested primarily in: (1) commercial real estate loans; (2) home equity loans; (3) construction loans; (4) residential mortgage loans; (5) secured and unsecured commercial and consumer loans; (6) FHLB, FNMA, GNMA and FHLMC mortgage-backed securities and collateralized mortgage obligations; (7) New York State and local municipal obligations; and (8) U.S government sponsored entity (U.S. GSE) securities. The Bank also offers the CDARS program, providing up to \$50.0 million of FDIC insurance to its customers. In addition, the Bank offers merchant credit and debit card processing, automated teller machines, cash management services, lockbox processing, online banking services, remote deposit capture, safe deposit boxes, individual retirement accounts and investment services through Bridge Investment Services, offering a full range of investment products and services through a third party broker dealer. Through its title insurance abstract subsidiary, the Bank acts as a broker for title insurance services. The Bank's customer base is comprised principally of small businesses, municipal relationships and consumer relationships.

Table of Contents

Significant Events

On February 8, 2011, the Company announced a definitive merger agreement under which the Bank will acquire Hamptons State Bank. The transaction augments the Bank's franchise in eastern Long Island and the combined entity will serve customers through a network of 20 branches and have total assets of approximately \$1.1 billion and deposits of \$1.0 billion.

Under the terms of the Agreement, each share of Hamptons State Bank will be converted into 0.3434 shares of the Company's common stock. The Company will issue approximately 274,000 shares, which will represent 4.1% of the total shares of the Company's common stock to be outstanding. Based upon the Company's closing stock price on February 7, 2011, the transaction value is approximately \$6.3 million and represents 136% of Hamptons State Bank's tangible book value as of December 31, 2010, and a 4.4% premium on core deposits.

The acquisition, which has been unanimously approved by the boards of directors of the Company and Hamptons State Bank, is subject to the approval of Hamptons State Bank shareholders and the approval of bank regulatory authorities, as well as other customary conditions. On April 25, 2011, the Company received notification of regulatory approval from its primary regulator, the Office of the Comptroller of the Currency. The transaction is expected to close in the second quarter of 2011.

Current Environment

On February 27, 2009, the FDIC issued a final rule, effective April 1, 2009, to change the way that the FDIC's assessment system differentiates for risk and to set new assessment rates beginning with the second quarter of 2009. In May 2009, the FDIC issued a final rule to impose an emergency special assessment of 5 basis points on all banks based on their total assets less tier one capital as of June 30, 2009. The special assessment was payable on September 30, 2009. During the second quarter of 2009, the Company recorded an expense of \$0.4 million related to the FDIC special assessment. In November 2009, the FDIC issued a final rule that required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC also adopted a uniform 3 basis point increase in assessment rates effective on January 1, 2011. The Company's prepayment of FDIC assessments for 2010, 2011 and 2012 was made on December 31, 2009 totaling \$3.8 million which will be amortized to expense over three years.

On April 13, 2010, the FDIC approved an interim rule that extends the Transaction Account Guarantee Program which offers unlimited deposit insurance on non-interest bearing accounts until December 31, 2012.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed by the President. The Act permanently raised the current standard maximum deposit insurance amount to \$250,000. Section 331(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the FDIC to change the definition of the assessment base from which assessment fees are determined. The new definition for the assessment base is the average consolidated total assets of the insured depository institution less the average tangible equity of the insured depository institution. A reduction in the assessment rate is anticipated since the assessment base will increase for many institutions. The new methodology becomes effective on April 1, 2011 and the Company anticipates a reduction in its FDIC assessment fees of approximately \$0.3 million in 2011. The new financial reform legislation will, among other things, create a new Consumer Financial Protection Bureau, tighten

capital standards and result in new laws and regulations that are expected to increase the cost of operations. Refer to Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2010 for more detailed information related to this new regulation.

Opportunities and Challenges

Since the second half of 2007 and continuing through 2010, the financial markets experienced significant volatility resulting from the continued fallout of sub-prime lending and the global liquidity crises. A multitude of government initiatives along with eight rate cuts by the Federal Reserve totaling 500 basis points have been designed to improve liquidity for the distressed financial markets. The ultimate objective of these efforts has been to help the beleaguered consumer, and reduce the potential surge of residential mortgage loan foreclosures and stabilize the banking system. As a result the yield on loans and investment securities has declined. The squeeze between declining asset yields and more slowly declining liability pricing has impacted margins. Effective as of February 19, 2010, the Federal Reserve increased the discount rate 50 basis points to 0.75%. The Federal Reserve stated that this rate change was intended to normalize their lending facility and to step away from emergency lending to banks. From April 2010 through April 2011 the Federal Reserve decided to maintain the federal funds target rate between 0 and 25 basis points due to a continued national depressed housing market and tight credit markets.

Table of Contents

Growth and service strategies have the potential to offset the tighter net interest margin with volume as the customer base grows through expanding the Bank's footprint, while maintaining and developing existing relationships. Since 2007, the Bank has opened eight new branches. In 2007, the Bank opened three new branches located in the Village of Southampton, Cutchogue, and Wading River. In April 2009, the Bank opened a new branch in Shirley, New York, and in December 2009, the Bank opened a new full service branch facility in the Village of East Hampton. During 2010, the Bank opened three new branches; Center Moriches in May, Patchogue in September and Deer Park in October. The recent branch openings move the Bank geographically westward and demonstrate its commitment to traditional growth through branch expansion. Controlling funding costs yet protecting the deposit base along with focusing on profitable growth, presents a unique set of challenges in this operating environment.

The Bank routinely adds to its menu of products and services, continually meeting the needs of consumers and businesses. We believe positive outcomes in the future will result from the expansion of our geographic footprint, investments in infrastructure and technology, such as BridgeNEXUS, our remote deposit capture product, lockbox processing, and continued focus on placing our customers first. In January 2009, the Bank launched Bridge Investment Services, offering a full range of investment products and services through a third party broker dealer. The Bank rolled out its new commercial online bill paying service during the first quarter of 2010, and continues to explore mobile banking products to offer customers.

As the Bank approaches the closing of its first acquisition and the opportunities it brings, management looks forward to delivering its community banking model to the Hamptons State Bank customers and to all customers in the Bank's expanded branch network. The Bank offers competitive products and services delivered by local bankers who have the expertise and authority to make prudent decisions for the Bank and the customer. Management's execution of this community banking model continues to be successful as evidenced by the Bank's profitable growth.

Market opportunities are not without certain challenges, risks and concerns. Management operates its business within the larger backdrop of the national, regional and local economies and, depending how the local economy is defined, the differences can be striking. Management must also navigate an ever-changing, but increasingly restrictive regulatory landscape. Although the economy generally appears to be improving, concerns remain about the depth and breadth of the improvement. The closely monitored statistics and indicators show mixed signals; employment is gradually improving, while unemployment remains at elevated levels; the housing recovery seems to have slowed, as some activity was artificially moved forward by tax incentives. Additionally, inflation as measured by food and energy, critical costs for most consumers, is high. Locally, the state and local budget realities could lead to possible increases in taxes and use fees, further burdening consumers and small business owners. Finally, on a very local level, certain aspects of the economy appear to be doing better than others. These mixed signals impact management's strategic approach. Management remains cautious in its real estate valuations and diligent in its underwriting. However, the Bank continues to seek opportunities to expand its customer base by adding well run businesses that have demonstrated their ability to navigate in turbulent economic times.

The regulatory process continues to evolve and the Dodd-Frank legislation is beginning to deliver the expected myriad of new rules, regulations and related compliance and process changes. This is not unexpected, but it will be costly in time, talent and resources. Management will continue to collaborate with its primary regulator to ensure compliance with current requirements and interpretations. Ultimately, the Bank must maintain its strong risk management culture and adhere to the core principles that have served this organization since 1910.

Corporate objectives for 2011 include: leveraging our expanding branch network to build customer relationships and grow loans and deposits; successfully integrating the customers and operations of Hamptons State Bank; focusing on opportunities and processes that continue to enhance the customer experience at the Bank; improving operational efficiencies and prudent management of non-interest expense; and maximizing non-interest income through Bridge Abstract as well as other lines of business. The ability to attract, retain, train and cultivate employees at all

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

levels of the Company remains significant to meeting these objectives. The Company has made great progress toward the achievement of these objectives, and avoided many of the problems facing other financial institutions as a result of maintaining discipline in its underwriting, expansion strategies, investing and general business practices. This strategy has not changed over the 100 years of our existence and will continue to be true. The Company has capitalized on opportunities presented by the market and diligently seeks opportunities for growth and to strengthen the franchise. The Company recognizes the potential risks of the current economic environment and will monitor the impact of market events as we consider growth initiatives and evaluate loans and investments. Management and the Board have built a solid foundation for growth and the Company is positioned to adapt to anticipated changes in the industry resulting from new regulations and legislative initiatives.

Table of Contents

Critical Accounting Policies

Allowance for Loan Losses

Management considers the accounting policy on the allowance for loan losses to be the most critical and requires complex management judgment as discussed below. The judgments made regarding the allowance for loan losses can have a material effect on the results of operations of the Company.

The allowance for loan losses is established and maintained through a provision for loan losses based on probable incurred losses inherent in the Bank's loan portfolio. Management evaluates the adequacy of the allowance on a quarterly basis. The allowance is comprised of both individual valuation allowances and loan pool valuation allowances. If the allowance for loan losses is not sufficient to cover actual loan losses, the Company's earnings could decrease.

The Bank monitors its entire loan portfolio on a regular basis, with consideration given to detailed analysis of classified loans, repayment patterns, probable incurred losses, past loss experience, current economic conditions, and various types of concentrations of credit. Additions to the allowance are charged to expense and realized losses, net of recoveries, are charged to the allowance.

Individual valuation allowances are established in connection with specific loan reviews and the asset classification process including the procedures for impairment testing under FASB Accounting Standard Codification (ASC) No. 310, Receivables. Such valuation, which includes a review of loans for which full collectability in accordance with contractual terms is not reasonably assured, considers the estimated fair value of the underlying collateral less the costs to sell, if any, or the present value of expected future cash flows, or the loan's observable market value. Any shortfall that exists from this analysis results in a specific allowance for the loan. Pursuant to our policy, loan losses must be charged-off in the period the loans, or portions thereof, are deemed uncollectible. Assumptions and judgments by management, in conjunction with outside sources, are used to determine whether full collectability of a loan is not reasonably assured. These assumptions and judgments are also used to determine the estimates of the fair value of the underlying collateral or the present value of expected future cash flows or the loan's observable market value. Individual valuation allowances could differ materially as a result of changes in these assumptions and judgments. Individual loan analyses are periodically performed on specific loans considered impaired. The results of the individual valuation allowances are aggregated and included in the overall allowance for loan losses.

Loan pool valuation allowances represent loss allowances that have been established to recognize the inherent risks associated with our lending activities, but which, unlike individual allowances, have not been allocated to particular problem assets. Pool evaluations are broken down into loans with homogenous characteristics by loan type and include commercial real estate mortgages, owner and non-owner occupied; residential real estate mortgages, first lien and home equity; commercial loans, secured and unsecured; installment/consumer loans; and real estate construction and land loans. The determination of the adequacy of the valuation allowance is a process that takes into consideration a variety of factors. The Bank has developed a range of valuation allowances necessary to adequately provide for probable incurred losses inherent in each pool of loans. We consider our own charge-off history along with the growth in the portfolio as well as the Bank's credit administration and asset management philosophies and procedures, and concentrations in the portfolio when determining the allowances for each pool. In addition, we evaluate and consider the credit's risk rating which includes management's evaluation of: cash flow, collateral, guarantor support, financial disclosures, industry trends and strength of borrowers' management, the impact that economic and market conditions may have on the portfolio as well as known and inherent risks in the portfolio. Finally, we evaluate and consider the allowance ratios and coverage percentages of both

peer group and regulatory agency data. These evaluations are inherently subjective because, even though they are based on objective data, it is management's interpretation of that data that determines the amount of the appropriate allowance. If the evaluations prove to be incorrect, the allowance for loan losses may not be sufficient to cover losses inherent in the loan portfolio, resulting in additions to the allowance for loan losses.

The Credit Risk Committee is comprised of members of both management and the Board of Directors. The adequacy of the allowance is analyzed quarterly, with any adjustment to a level deemed appropriate by the Credit Risk Committee, based on its risk assessment of the entire portfolio. Based on the Credit Risk Committee's review of the classified loans and the overall allowance levels as they relate to the entire loan portfolio at March 31, 2011, management believes the allowance for loan losses has been established at levels sufficient to cover the probable incurred losses in the Bank's loan portfolio. Future additions or reductions to the allowance may be necessary based on changes in economic, market or other conditions. Changes in estimates could result in a material change in the allowance. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the allowance for loan losses. Such agencies may require the Bank to recognize adjustments to the allowance based on their judgments of the information available to them at the time of their examination.

Table of Contents

Net Income

Net income for the three months ended March 31, 2011 was \$2.2 million or \$0.34 per diluted share as compared to \$2.1 million or \$0.34 per diluted share for the same period in 2010. Changes for the three months ended March 31, 2011 compared to March 31, 2010 include: (i) \$1.0 million or 10.8% increase in net interest income; (ii) a \$0.6 million or 46.2% decrease in the provision for loan losses; (iii) \$0.7 million or 34.0% decrease in total non interest income as a result of net securities gains of \$0.9 million recognized in March 2010, lower title insurance revenue and lower other operating income. Conversely, the Company recognized higher service charges of \$0.1 million and higher fees for other customer services of \$0.1 million; (iv) \$0.8 million or 12.2% increase in total non interest expenses due to a \$0.3 million increase in salaries and employee benefits related to increased staffing and related benefits, a \$0.1 million increase in net occupancy expense and furniture and fixtures related to new branches, and a \$0.4 million increase in other operating expenses primarily due to the acquisition costs of \$0.2 million associated with the proposed merger with Hampton State Bank, higher professional fees, and the establishment of an allowance for off balance sheet commitments. The provision for loan losses of \$0.7 million was recorded during the quarter and resulted in increased reserve coverage levels. The coverage ratio of the allowance for loan losses to loans increased to 1.72%. The level of the provision for 2011 takes into consideration the continued growth and composition of the loan portfolio, the overall industry trends as well as the current economic environment. The effective income tax rate was 31.0% for the quarter ended March 31, 2011 compared to 32.0% for the same period last year.

Analysis of Net Interest Income

Net interest income, the primary contributor to earnings, represents the difference between income on interest earning assets and expenses on interest bearing liabilities. Net interest income depends upon the volume of interest earning assets and interest bearing liabilities and the interest rates earned or paid on them.

The following tables set forth certain information relating to the Company's average consolidated balance sheets and its consolidated statements of income for the periods indicated and reflect the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are derived from daily average balances and include nonaccrual loans. The yields and costs include fees, which are considered adjustments to yields. Interest on nonaccrual loans has been included only to the extent reflected in the consolidated statements of income. For purposes of this table, the average balances for investments in debt and equity securities exclude unrealized appreciation/depreciation due to the application of FASB ASC 320, *Investments - Debt and Equity Securities*.

Table of Contents

(In thousands)	Three months ended March 31,					
	2011			2010		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Interest earning assets:						
Loans, net (including loan fee income)	\$ 502,019	\$ 7,955	6.43%	\$ 446,147	\$ 7,282	6.62%
Mortgage-backed securities	269,668	2,316	3.48	231,851	2,529	4.42
Tax exempt securities (1)	110,419	1,108	4.07	94,648	876	3.75
Taxable securities	83,456	586	2.85	61,116	403	2.67
Federal funds sold				7,059	5	0.29
Deposits with banks	30,130	18	0.24	13,118	9	0.28
Total interest earning assets	995,692	11,983	4.88	853,939	11,104	5.27
Non interest earning assets:						
Cash and due from banks	16,244			15,066		
Other assets	41,807			35,701		
Total assets	\$ 1,053,743			\$ 904,706		
Interest bearing liabilities:						
Savings, NOW and money market deposits	\$ 578,582	\$ 966	0.68%	\$ 455,711	\$ 874	0.78%
Certificates of deposit of \$100,000 or more	89,030	243	1.11	85,345	394	1.87
Other time deposits	41,474	127	1.24	52,825	250	1.92
Federal funds purchased and repurchase agreements	17,144	134	3.17	16,314	108	2.68
Junior Subordinated Debentures	16,002	342	8.67	16,002	341	8.64
Total interest bearing liabilities	742,232	1,812	0.99	626,197	1,967	1.27
Non interest bearing liabilities:						
Demand deposits	242,406			214,629		
Other liabilities	4,895			6,154		
Total liabilities	989,533			846,980		
Stockholders equity	64,210			57,726		
Total liabilities and stockholders equity	\$ 1,053,743			\$ 904,706		
Net interest income/interest rate spread (2)		10,171	3.89%		9,137	4.00%
Net interest earning assets/net interest margin (3)	\$ 253,460		4.14%	\$ 227,742		4.34%
Ratio of interest earning assets to interest bearing liabilities			134.15%			136.37%
Less: Tax equivalent adjustment		(387)			(306)	
Net interest income		\$ 9,784			\$ 8,831	

(1) The above table is presented on a tax equivalent basis.

(2) Net interest rate spread represents the difference between the yield on average interest earning assets and the cost of average interest bearing liabilities.

(3) Net interest margin represents net interest income divided by average interest earning assets.

Table of Contents**Rate/Volume Analysis**

Net interest income can be analyzed in terms of the impact of changes in rates and volumes. The following table illustrates the extent to which changes in interest rates and in the volume of average interest earning assets and interest bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rates (changes in rates multiplied by prior volume); and (iii) the net changes. For purposes of this table, changes which are not due solely to volume or rate changes have been allocated to these categories based on the respective percentage changes in average volume and rate. Due to the numerous simultaneous volume and rate changes during the periods analyzed, it is not possible to precisely allocate changes between volume and rates. In addition, average earning assets include nonaccrual loans.

(In thousands)	Three months ended March 31, 2011 Over 2010		
	Volume	Rate	Net Change
Interest income on interest earning assets:			
Loans, net (including loan fee income)	\$ 1,946	\$ (1,273)	\$ 673
Mortgage-backed securities	1,797	(2,010)	(213)
Tax exempt securities (1)	154	78	232
Taxable securities	155	28	183
Federal funds sold	(3)	(2)	(5)
Deposits with banks	17	(8)	9
Total interest earning assets	4,066	(3,187)	879
Interest expense on interest bearing liabilities:			
Savings, NOW and money market deposits	691	(599)	92
Certificates of deposit of \$100,000 or more	110	(261)	(151)
Other time deposits	(47)	(76)	(123)
Federal funds purchased and repurchase agreements	6	20	26
Junior subordinated debentures		1	1
Total interest bearing liabilities	760	(915)	(155)
Net interest income	\$ 3,306	\$ (2,272)	\$ 1,034

(1) The above table is presented on a tax equivalent basis.

Analysis of Net Interest Income for the Three Months ended March 31, 2011 and March 31, 2010

Net interest income was \$9.8 million for the three months ended March 31, 2011 compared to \$8.8 million for the same period in 2010, an increase of \$1.0 million or 10.8%. Net interest margin was 4.14%, lower as compared to 4.34% for the quarter ended March 31, 2010 but still above peer levels with earning assets yielding 4.88%, and an overall funding cost of .75%, including demand deposits. This decrease was primary due to lower yields on loans, mortgage-backed securities and collateralized mortgage obligations. The yield on interest earning assets decreased approximately 39 basis points which was partly offset by the cost of interest bearing liabilities, which decreased approximately 28 basis points during the first quarter of 2011 compared to 2010. The increase in average total deposits of \$143.0 million primarily funded lower

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

yielding securities, which grew \$75.9 million, while average net loans increased \$55.9 million from the comparable 2010 quarter.

For the three months ended March 31, 2011, average loans grew by \$55.9 million or 12.5% to \$502.0 million as compared to \$446.1 million for the same period in 2010. Real estate mortgage loans primarily contributed to the growth. The Bank remains committed to growing loans with prudent underwriting, sensible pricing and limited credit and extension risk.

For the three months ended March 31, 2011, average total securities increased by \$75.9 million or 19.6% to \$463.5 million as compared to \$387.6 million for the three months ended March 31, 2010. There were no federal funds sold for the three month ended March 31, 2011. Average federal funds sold were \$7.1 million for the three months ended March 31, 2010. The decrease in the average federal funds sold for the three months ended March 31, 2011 was offset by the growth in average interest earning cash of \$17.0 million for the three months ended March 31, 2011 from \$13.1 million in 2010 to \$30.1 million in 2011.

Table of Contents

Average total interest bearing liabilities were \$742.2 billion for the three months ended March 31, 2011 compared to \$626.2 million for the same period in 2010. The Bank grew deposits as a result of opening three new branches during 2010 as well as building new relationships in existing markets. Since the fourth quarter of 2009, the Bank reduced interest rates on deposit products through prudent management of deposit pricing. The reduction in deposit rates resulted in a decrease in the cost of interest bearing liabilities to 0.99% for the three months ended March 31, 2011 from 1.27% for the same period in 2010. Since the Company's interest bearing liabilities generally reprice or mature more quickly than its interest earning assets, an increase in short term interest rates initially results in a decrease in net interest income. Additionally, the large percentages of deposits in money market accounts reprice at short term market rates making the balance sheet more liability sensitive.

For the three months ended March 31, 2011, average total deposits increased by \$143.0 million or 17.7% to \$951.5 million from \$808.5 million from the for the same period in 2010. Components of this increase include an increase in average balances in savings, NOW and money market accounts of \$122.9 million or 27.0% to \$578.6 million for the three months ended March 31, 2011 compared to \$455.7 million for the same period last year. Average balances in certificates of deposit of \$100,000 or more and other time deposits decreased \$7.7 million or 5.5% to \$130.5 million for 2011 as compared to \$138.2 million for the same period last year. Average balances in demand deposits increased \$27.8 million or 12.9% to \$242.4 million for 2011 as compared to \$214.6 million for the same period last year. Average public fund deposits comprised 22.06% of total average deposits during the three months ended March 31, 2011 and 21.8% of total average deposits for the same period in 2010. Average federal funds purchased and repurchase agreements increased \$0.8 million or 5.1% to \$17.1 million for the three months ended March 31, 2011 as compared to \$16.3 million for the same period in the prior year.

Total interest income increased \$0.8 million or 7.4% to \$11.6 million for the three months ended March 31, 2011 from \$10.8 million for the same period in 2010. Interest income on loans increased \$0.7 million or 9.2% to \$8.0 million for the three months ended March 31, 2011 from \$7.3 million for the same period in 2010. The yield on average loans was 6.4% for 2011 as compared to 6.6% in 2010.

Interest income on investments in mortgage-backed, taxable and tax exempt securities increased \$0.1 million to \$3.6 million for the three months ended March 31, 2011 compared to \$3.5 million for the same period in 2010. Interest income on securities included net amortization of premium of \$0.6 million in the 2011 compared to net amortization of premium of \$0.3 million for the same period in 2010. The tax adjusted average yield on total securities decreased to 3.5% in 2011 from 4.0% in 2010.

Interest expense decreased \$0.2 million to \$1.8 million for the three months ended March 31, 2011 compared to \$2.0 million for the same period in 2010. The interest expense in 2011 and 2010 reflects \$0.3 million of interest paid related to \$16.0 million of junior subordinated debentures which was partly offset by a reduction in interest rates on deposit products through prudent management of deposit pricing.

Provision and Allowance for Loan Losses

The Bank's loan portfolio consists primarily of real estate loans secured by commercial and residential real estate properties located in the Bank's principal lending area of Suffolk County which is located on the eastern portion of Long Island. The interest rates charged by the Bank on loans are affected primarily by the demand for such loans, the supply of money available for lending purposes, the rates offered by its competitors, the Bank's relationship with the customer, and the related credit risks of the transaction. These factors are affected by general and economic conditions including, but not limited to, monetary policies of the federal government, including the Federal Reserve Board, legislative policies and governmental budgetary matters.

Loans of approximately \$44.3 million or 8.5% of total loans at March 31, 2011 were classified as potential problem loans compared to \$43.9 million or 8.7% at December 31, 2010 and \$39.0 million or 8.6% at March 31, 2010. Potential problem loans include loans with credit quality indicators with the internally assigned grades of special mention, substandard and doubtful. These loans are classified as potential problem loans as management has information that indicates the borrower may not be able to comply with the present repayment terms. These loans are subject to increased management attention and their classification is reviewed on at least a quarterly basis.

At March 31, 2011, approximately \$24.6 million of these loans were commercial real estate (CRE) loans which were well secured with real estate as collateral. Of the \$24.6 million of CRE loans, \$23.9 million were current and \$0.7 million were past due. In addition, all but \$2.1 million of the CRE loans have personal guarantees. At March 31, 2011, approximately \$4.3 million of classified loans were residential real estate loans with \$2.7 million current and \$1.6 million past due. Commercial, financial, and agricultural loans represented \$7.3 million of classified loans and \$6.8 million was current and \$0.5 million was past due. Approximately \$7.8 million of classified loans represented real estate construction and land loans with \$4.2 million current and \$3.6 million past due. All real estate construction and land loans were well secured with collateral. The remaining \$0.2 million in classified loans are consumer

Table of Contents

loans that are unsecured and current, have personal guarantees and demonstrate sufficient cash flow to pay the loans. Due to the structure and nature of the credits, we do not expect to sustain a material loss on these relationships.

CRE loans represented \$251.0 million or 48.1% of the total loan portfolio at March 31, 2011 compared to \$245.3 million or 48.7% at December 31, 2010. The Bank's underwriting standards for CRE loans requires an evaluation of the cash flow of the property, the overall cash flow of the borrower and related guarantors as well as the value of the real estate securing the loan. In addition, the Bank's underwriting standards for CRE loans are consistent with regulatory requirements with original loan to value ratios less than or equal to 75%. The Bank considers charge-off history, delinquency trends, cash flow analysis, and the impact of the local economy on commercial real estate values when evaluating the appropriate level of the allowance for loan losses. Real estate values in our geographic markets increased significantly from 2000 through 2007. Commencing in 2008, following the financial crisis and significant downturn in the economy, real estate values began to decline. This decline continued into 2009 and appears to have stabilized during 2010. The estimated decline in residential and commercial real estate values range from 15-20% from the 2007 levels, depending on the nature and location of the real estate.

As of March 31, 2011 and December 31, 2010, the Company had impaired loans as defined by FASB ASC No. 310, "Receivables" of \$10.7 million and \$9.9 million, respectively. For a loan to be considered impaired, management determines after review whether it is probable that the Bank will not be able to collect all amounts due according to the contractual terms of the loan agreement. Additionally management applies its normal loan review procedures in making these judgments. Impaired loans include individually classified nonaccrual loans and troubled debt restructured (TDR) loans. For impaired and TDR loans, the Bank evaluates the fair value of the loan in accordance with FASB ASC 310-10-35-22. For loans that are collateral dependent, the fair value of the collateral is used to determine the fair value of the loan. The fair value of the collateral is determined based upon recent appraised values. For unsecured loans, the fair value is determined based on the present value of expected future cash flows discounted at the loan's effective interest rate. The fair value of the loan is compared to the carrying value to determine if any write-down or specific reserve is required. These methods of fair value measurement for impaired and TDR loans are considered level 3 within the fair value hierarchy described in FASB ASC 820-10-50-5.

Nonaccrual loans increased \$0.8 million to \$7.5 million or 1.43% of total loans at March 31, 2011 from \$6.7 million or 1.34% of total loans at December 31, 2010. Approximately \$4.7 million of the nonaccrual loans at March 31, 2011 represent troubled debt restructured loans. As of March 31, 2011 one of the borrowers with loans totaling \$1.5 million is complying with the modified terms of the loans and is currently making payments. Another borrower with loans totaling \$3.2 million is past due and the Bank has initiated the foreclosure process. Total troubled debt restructured loans are secured with collateral that has a fair value of \$7.2 million. Furthermore, the Bank has no commitment to lend additional funds to these debtors.

In addition, the Company has one borrower with TDR loans of \$3.2 million at March 31, 2011 and December 31, 2010, that are current and are secured with collateral that has a fair value of approximately \$5.4 million as well as personal guarantors. Management believes that the ultimate collection of principal and interest is reasonably assured and therefore continues to recognize interest income on an accrual basis. In addition, the Bank has no commitment to lend additional funds to this debtor. The loans were determined to be impaired during the third quarter of 2008 and since that determination \$0.3 million of interest income has been recognized.

The average recorded investment in the impaired loans during the three months ended March 31, 2011 was \$10.8 million and was \$10.1 million for the year ended December 31, 2010. At March 31, 2011, each impaired loan was analyzed and written down to its net realizable value if the loan balance was higher than the net realizable value of its associated collateral. There was not an allocation of the allowance for loan losses allocated to impaired loans as of March 31, 2011. The amount of the allowance for loan losses allocated to impaired loans as of December 31, 2010 was \$7,000.

The Bank had no foreclosed real estate at March 31, 2011, December 31, 2010 and March 31, 2010, respectively.

Table of Contents

The following table sets forth impaired loans by loan type:

(In thousands)	March 31, 2011	December 31, 2010
Nonaccrual Loans:		
Commercial real estate mortgage loans	\$ 723	\$ 478
Residential real estate mortgage loans	1,611	1,401
Commercial, financial and agricultural loans	163	32
Installment/consumer loans	11	86
Real estate construction and land loans	250	
Total	2,758	1,997
Restructured Loans:		
Commercial real estate mortgage loans	3,186	3,219
Residential real estate mortgage loans	1,549	2,042
Commercial, financial and agricultural loans		
Installment/consumer loans		
Real estate construction and land loans	3,164	2,686
Total	7,899	7,947
Total Impaired Loans	\$ 10,657	\$ 9,944

Restructured loans totaled \$7.9 million as of March 31, 2011, of which \$4.7 million of the restructured loans were nonaccrual as of March 31, 2011.

Based on our continuing review of the overall loan portfolio, the current asset quality of the portfolio, the growth in our loan portfolio, and the net charge-offs, a provision for loan losses of \$0.7 million was recorded during the three months ended March 31, 2011 compared to a provision for loan loss of \$1.3 million that was recorded during the same period in 2010. The Bank recognized net charge-offs in the amount of \$0.2 million for the three months ended March 31, 2011 as compared to \$0.3 million for the same period in 2010. The allowance for loan losses increased to \$9.0 million at March 31, 2011, as compared to \$8.8 million at December 31, 2010 and \$7.0 million at March 31, 2010. As a percentage of total loans, the allowance increased to 1.72% at March 31, 2011 compared to 1.69% at December 31, 2010 and 1.54% at March 31, 2010. Management continues to carefully monitor the loan portfolio as well as local real estate trends. The Bank's consistent and rigorous underwriting standards preclude sub prime lending, and management remains cautious about the potential for an indirect impact on the local economy and real estate values in the future.

Table of Contents

The following table sets forth changes in the allowance for loan losses:

(Dollars in thousands)	For the Three Months Ended March 31, 2011		For the Year Ended December 31, 2010	
Allowance for loan losses balance at beginning of period	\$	8,497	\$	6,045
Charge-offs:				
Commercial real estate mortgage loans				73
Residential real estate mortgage loans		88		20
Commercial, financial and agricultural loans		21		879
Installment/consumer loans		90		148
Real estate construction and land loans				
Total		199		1,120
Recoveries:				
Commercial real estate mortgage loans				
Residential real estate mortgage loans		2		4
Commercial, financial and agricultural loans		11		56
Installment/consumer loans		4		12
Real estate construction and land loans				
Total		17		72
Net charge-offs		(182)		(1,048)
Provision for loan losses charged to operations		700		3,500
Balance at end of period	\$	9,015	\$	8,497
Ratio of net charge-offs during period to average loans outstanding		(0.14)%		(0.23)%

The following table sets forth the allocation of the total allowance for loan losses by loan type:

(Dollars in thousands)	March 31, 2011		December 31, 2010	
	Amount	Percentage of Loans to Total Loans	Amount	Percentage of Loans to Total Loans
Commercial real estate mortgage loans	\$ 3,515	48.1%	\$ 3,443	48.7%
Residential real estate mortgage loans	2,375	28.2	1,642	28.0
Commercial, financial and agricultural loans	2,463	18.8	2,804	19.4
Installment/consumer loans	294	1.9	423	1.9
Real estate construction and land loans	368	3.0	185	2.0
Total	\$ 9,015	100.0%	8,497	100.0%

Non Interest Income

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

Total non interest income decreased \$0.7 million or 34.0% to \$1.5 million for the three months ended March 31, 2011 compared to \$2.2 million for the same period in 2010. The decline was primarily the result of net securities gains of \$0.9 million recognized in March 2010. Title fee income related to Bridge Abstract decreased \$0.1 million or 20.0% to \$0.2 million for the three months ended March 31, 2011 compared to \$0.3 million for the same period in 2010. The decrease was attributable to lower volume in the number of transactions processed. Service charges on deposit accounts increased \$0.1 million or 17.9% to \$0.7 million for the three months ended March 31, 2011 from \$0.6 million for the same period in 2010. Fees for other customer services were \$0.5 million and represented an increase of \$0.1 million or 27.7% from \$0.4 million for the same period last year primarily related to higher electronic banking and investment services income.

Table of Contents***Non Interest Expense***

Total non interest expense increased \$0.8 million or 12.2% to \$7.4 million during the three months ended March 31, 2011 from \$6.6 million over the same period in 2010. The primary components of these increases were higher salaries and employee benefits, net occupancy expense, furniture and fixture expenses, FDIC assessments and other operating expenses. Salary and benefit expense increased \$0.4 million or 8.8% to \$4.2 million for the three months ended March 31, 2011 from \$3.8 million for the same period in 2010. The increase reflects filling vacant positions, hiring new employees to support the Company's expanding infrastructure and new branch offices, and related employee benefit costs. Net occupancy expense increased \$0.1 million or 10.0% to \$0.8 million for the three months ended March 31, 2011 from \$0.7 million for the same period in 2010. Higher net occupancy expenses were due to increases in maintenance and supplies, and rent expense related to the new branch offices in 2011 as well as annual rent increases in other branch locations. Other operating expenses increased \$0.1 million or 8.8% to \$1.6 million for the three months ended March 31, 2011 compared to \$1.5 million for the same period in 2010 primarily due to increased professional fees and the establishment of an allowance for off balance sheet commitments. Acquisition costs of \$0.2 million relate to the proposed merger with Hamptons State Bank.

Income Taxes

The provision for income taxes remained the same at \$1.0 million during the three months ended March 31, 2011 and 2010. The effective tax rate for the three months ended March 31, 2011 decreased to 31.0% from 32.0% for the same period last year. The reduction in the effective tax rate was a result of a higher percentage of interest income from tax exempt securities.

Financial Condition

Assets totaled \$1.07 billion at March 31, 2011, an increase of \$46.5 million or 4.5% from \$1.03 billion at December 31, 2010. This change is primarily a result of an increase in total cash and cash equivalents of \$31.8 million or 138.6%, an increase in net loans of \$18.1 million or 3.7% as well as an increase in accrued interest receivable and other assets partially offset by a decrease of \$4.2 million or 0.9% in total securities. Cash and due from banks decreased \$7.3 million or 33.7% and interest earnings deposits with banks increased \$39.0 million or 2956.9%. Total deposits grew \$48.9 million to \$965.9 million at March 31, 2011 compared to \$917.0 million at December 31, 2010. Demand deposits increased \$8.7 million to \$248.0 million as of March 31, 2011 compared to \$239.3 million at December 31, 2010. Savings, NOW and money market deposits increased \$42.0 million to \$586.5 million at March 31, 2011 from \$544.5 million at December 31, 2010. Certificates of deposit of \$100,000 or more increased \$0.5 million or 0.6% to \$91.1 million as of March 31, 2011 compared to \$90.6 million at December 31, 2010. Other time deposits decreased \$2.3 million to \$40.3 million from \$42.6 million. There were no federal funds purchased as of March 31, 2011 as compared to \$5.0 million at December 31, 2010. Repurchase agreements decrease \$0.1 million or 0.23% to \$16.3 million as of March 31, 2011 compared to \$16.4 million at December 31, 2010. Junior subordinated debentures remained at \$16.0 million at March 31, 2011 and December 31, 2010. Accrued interest payable remained at \$0.4 million at March 31, 2011 and December 31, 2010. Other liabilities and accrued expenses increased \$1.4 million to \$9.3 million at March 31, 2011 from \$7.9 million at December 31, 2010. Total stockholders' equity was \$66.9 million at March 31, 2011, an increase of \$1.2 million or 1.8% from December 31, 2010, primarily due to net income of \$2.2 million, proceeds from the issuance of common stock under the Dividend Reinvestment Plan of \$0.8 million and stock based compensation expense of \$0.3 million which was partially offset by the declaration of dividends totaling \$1.5 million and the change in unrealized net gains in securities available for sale of \$0.5 million.

Liquidity

The objective of liquidity management is to ensure the sufficiency of funds available to respond to the needs of depositors and borrowers, and to take advantage of unanticipated earnings enhancement opportunities for Company growth. Liquidity management addresses the ability of the Company to meet financial obligations that arise in the normal course of business. Liquidity is primarily needed to meet customer borrowing commitments, deposit withdrawals either on demand or contractual maturity, to repay other borrowings as they mature, to fund current and planned expenditures and to make new loans and investments as opportunities arise.

The Holding Company's principal sources of liquidity included cash and cash equivalents of \$2.3 million as of March 31, 2011, and dividends from the Bank. Cash available for distribution of dividends to shareholders of the Company is primarily derived from dividends paid by the Bank to the Company. During the three months ended March 31, 2011, the Bank did not pay a cash dividend to the Company. As of March 31, 2011, the Bank had \$19.8 million of retained net income available for dividends to the Company. Prior regulatory approval is required if the total of all dividends declared by the Bank in any calendar year exceeds the total of the Bank's net income of that year combined with its retained net income of the preceding two years. In the event that the Company subsequently expands its current operations, in addition to dividends from the Bank, it will need to rely on its own earnings, additional capital raised and other borrowings to meet liquidity needs. In December 2009, the Company completed a private placement of \$16.0 million aggregate liquidation amount of 8.50% cumulative convertible trust preferred securities (the "TPS") through a newly-formed

Table of Contents

subsidiary, Bridge Statutory Capital Trust II, a wholly-owned Delaware statutory trust (the Trust). The net proceeds will be used for general corporate purposes, primarily to provide additional capital to the Bank.

The Bank's most liquid assets are cash and cash equivalents, securities available for sale and securities held to maturity due within one year. The levels of these assets are dependent upon the Bank's operating, financing, lending and investing activities during any given period. Other sources of liquidity include principal repayments and maturities of loan and investment securities, lines of credit with other financial institutions including the Federal Home Loan Bank and the Federal Reserve Bank, growth in core deposits and sources of wholesale funding such as brokered certificates of deposits. While scheduled loan amortization, maturing securities and short term investments are a relatively predictable source of funds, deposit flows and loan and mortgage-backed securities prepayments are greatly influenced by general interest rates, economic conditions and competition. The Bank adjusts its liquidity levels as appropriate to meet funding needs such as seasonal deposit outflows, loans, and asset and liability management objectives. Historically, the Bank has relied on its deposit base, drawn through its branches that serve its market area and local municipal deposits, as its principal source of funding. The Bank seeks to retain existing deposits and loans and maintain customer relationships by offering quality service and competitive interest rates to its customers, while managing the overall cost of funds needed to finance its strategies.

The Bank's Asset/Liability and Funds Management Policy allows for wholesale borrowings of up to 25% of total assets. At March 31, 2011, the Bank had aggregate lines of credit of \$227.0 million with unaffiliated correspondent banks to provide short term credit for liquidity requirements. Of these aggregate lines of credit, \$207.0 million is available on an unsecured basis. The Bank also has the ability, as a member of the Federal Home Loan Bank (FHLB) system, to borrow against unencumbered residential and commercial mortgages owned by the Bank. The Bank also has a master repurchase agreement with the FHLB, which increases its borrowing capacity. In addition, the Bank has an approved broker relationship for the purpose of issuing brokered certificates of deposit. As of March 31, 2011 and December 31, 2010, the Bank had no brokered certificates of deposit. There were no overnight borrowings as of March 31, 2011 and \$5 million in overnight borrowings as of December 31, 2010. The Bank had \$16.3 million of securities sold under agreements to repurchase outstanding as of March 31, 2011 and \$16.4 million of securities sold under agreements to repurchase outstanding as of December 31, 2010. There were no advances outstanding as of March 31, 2011 and December 31, 2010 with the FHLB.

Management continually monitors the liquidity position and believes that sufficient liquidity exists to meet all of our operating requirements. Based on the objectives determined by the Asset and Liability Committee, the Bank's liquidity levels may be affected by the use of short term and wholesale borrowings, and the amount of public funds in the deposit mix. The Asset and Liability Committee is comprised of members of senior management and the Board. Excess short term liquidity is invested overnight at the highest rate available at the Federal Reserve or in federal funds sold. The Bank invested \$39.9 million at the Federal Reserve as of March 31, 2011 and \$0.9 million as of December 31, 2010. The Bank did not have overnight federal funds sold as of March 31, 2011 or December 31, 2010.

Capital Resources

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes as of March 31, 2011, the Company and the Bank met all capital adequacy requirements. In April 2009, the Company announced that its Board of Directors approved and adopted a Dividend Reinvestment Plan (DRP Plan) and filed a registration statement on Form S-3 to register 600,000 shares of common stock with the Securities and Exchange Commission (SEC) pursuant to the DRP Plan. In April 2010, the Company increased the discount from 3% to 5%, and raised the quarterly optional cash purchase amount to \$50,000 under the DRP Plan. Proceeds from the issuance of common stock related to the DRP Plan for the three months ended March 31, 2011, was \$0.8 million. Since the inception of the DRP Plan in April 2009 through March 31, 2011, the Company has issued 106,370 shares of common stock and raised \$2.5 million in capital. In June 2009, the Company filed a shelf registration statement on Form S-3 to register up to \$50 million of securities with the SEC. In December 2009, the Company completed a private placement of \$16.0 million aggregate liquidation amount of 8.50% cumulative convertible trust preferred securities (the TPS) through a newly-formed subsidiary, Bridge Statutory Capital Trust II, a wholly-owned Delaware statutory trust (the Trust). The TPS mature in 30 years, and carry a fixed distribution rate of 8.50%. The TPS have a liquidation amount of \$1,000 per security. The Company has the right to redeem the TPS

Table of Contents

at par (plus any accrued but unpaid distributions) at any time after September 30, 2014. Holders of the TPS may convert the TPS into shares of the Company's common stock at a conversion price equal to \$31.00 per share, which represents 125% of the average closing price of the Company's common stock over the 20 trading days ended on October 14, 2009. Each \$1,000 in liquidation amount of the TPS is convertible into 32.2581 shares of the Company's common stock. As provided in the regulations, TPS are included in holding company Tier 1 capital (up to a limit of 25% of Tier 1 capital).

At March 31, 2011 and December 31, 2010, actual capital levels and minimum required levels for the Company and the Bank were as follows:

Bridge Bancorp, Inc.
(Consolidated)
As of March 31,
(Dollars in thousands)

	Actual		2011 For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$ 89,963	13.6%	\$ 52,962	8.0%	n/a	n/a
Tier 1 Capital (to risk weighted assets)	81,678	12.3%	26,481	4.0%	n/a	n/a
Tier 1 Capital (to average assets)	81,678	7.8%	42,126	4.0%	n/a	n/a

As of December 31,
(Dollars in thousands)

	Actual		2010 For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$ 88,006	13.7%	\$ 51,504	8.0%	n/a	n/a
Tier 1 Capital (to risk weighted assets)	79,953	12.4%	25,752	4.0%	n/a	n/a
Tier 1 Capital (to average assets)	79,953	7.9%	40,667	4.0%	n/a	n/a

Bridgewater National Bank
As of March 31,
(Dollars in thousands)

	Actual		2011 For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$ 88,407	13.4%	\$ 52,891	8.0%	\$ 66,113	10.0%
Tier 1 Capital (to risk weighted assets)	80,133	12.1%	26,445	4.0%	39,668	6.0%
Tier 1 Capital (to average assets)	80,133	7.6%	42,093	4.0%	52,616	5.0%

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

As of December 31,
(Dollars in thousands)

	Actual		2010 For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$ 85,514	13.3%	\$ 51,444	8.0%	\$ 64,304	10.0%
Tier 1 Capital (to risk weighted assets)	77,470	12.1%	25,722	4.0%	38,583	6.0%
Tier 1 Capital (to average assets)	77,470	7.6%	40,639	4.0%	50,799	5.0%

Table of Contents

Impact of Inflation and Changing Prices

The Unaudited Consolidated Financial Statements and notes thereto presented herein have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary effect of inflation on the operations of the Company is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, changes in interest rates have a more significant effect on the performance of a financial institution than do the effects of changes in the general rate of inflation and changes in prices. Changes in interest rates could adversely affect our results of operations and financial condition. Interest rates do not necessarily move in the same direction, or in the same magnitude, as the prices of goods and services. Interest rates are highly sensitive to many factors, which are beyond the control of the Company, including the influence of domestic and foreign economic conditions and the monetary and fiscal policies of the United States government and federal agencies, particularly the Federal Reserve Bank.

Recent Regulatory and Accounting Developments

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-2, A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring (ASU 2011-2). ASU 2011-2 clarifies the guidance for determining whether a loan restructuring constitutes a troubled debt restructuring (TDR) outlined in Accounting Standards Codification (ASC) No. 310-40,

Receivables Troubled Debt Restructurings by Creditors, by providing additional guidance to a creditor in making the following required assessments needed to determine whether a restructuring is a TDR: (i) whether or not a concession has been granted in a debt restructuring; (ii) whether a temporary or permanent increase in the contractual interest rate precludes the restructuring from being a TDR; (iii) whether a restructuring results in an insignificant delay in payment; (iv) whether a borrower that is not currently in payment default is experiencing financial difficulties; and (v) whether a creditor can use the effective interest rate test outlined in debtor's guidance on restructuring of payables (ASC Topic No. 470-60-55-10) when evaluating whether or not a restructuring constitutes a TDR. This update is effective the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. Adoption of ASU 2011-2 is not expected to have a material effect.

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20). ASU 2010-20 requires companies to provide a greater level of disaggregated information regarding: (1) the credit quality of their financing receivables; and (2) their allowance for credit losses. ASU 2010-20 further requires companies to disclose credit quality indicators, past due information, and modifications of their financing receivables. For public companies, ASU 2010-20 is effective for interim and annual reporting periods ending on or after December 15, 2010. ASU 2010-20 encourages, but does not require, comparative disclosures for earlier reporting periods that ended before initial adoption. Adoption of ASU 2010-20 did not have a material impact on the Company.

In January 2010, FASB issued Accounting Standards Update No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU 2010-6). ASU 2010-6 required new disclosures related to transfers in and out of fair value hierarchy Levels 1 and 2, as well as certain activities for assets whose fair value is measured under the Level 3 hierarchy. ASU 2010-6 also provided amendments clarifying the level of disaggregation and disclosures about inputs and valuation techniques along with conforming amendments to the guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-6 was effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for

interim periods within those fiscal years. Adoption of ASU 2010-6 has not had, and is not expected to have, a material impact on the Company.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Asset/Liability Management

Management considers interest rate risk to be the most significant market risk for the Company. Market risk is the risk of loss from adverse changes in market prices and rates. Interest rate risk is the exposure to adverse changes in the net income of the Company as a result of changes in interest rates.

The Company's primary earnings source is net interest income, which is affected by changes in the level of interest rates, the relationship between rates, the impact of interest rate fluctuations on asset prepayments, the level and composition of deposits and liabilities, and the credit quality of earning assets. The Company's objectives in its asset and liability management are to maintain a strong, stable net interest margin, to utilize its capital effectively without taking undue risks, to maintain adequate liquidity, and to reduce vulnerability of its operations to changes in interest rates.

The Company's Asset and Liability Committee evaluates periodically, but at least four times a year, the impact of changes in market interest rates on assets and liabilities, net interest margin, capital and liquidity. Risk assessments are governed by policies and limits established by senior management, which are reviewed and approved by the full Board of Directors at least annually. The economic environment continually presents uncertainties as to future interest rate trends. The Asset and Liability Committee regularly utilizes a model that projects net interest income based on increasing or decreasing interest rates, in order to be better able to respond to changes in interest rates.

At March 31, 2011, \$414.6 million or 88.5% of the Company's securities had fixed interest rates. Changes in interest rates affect the value of the Company's interest earning assets and in particular its securities portfolio. Generally, the value of securities fluctuates inversely with changes in interest rates. Increases in interest rates could result in decreases in the market value of interest earning assets, which could adversely affect the Company's stockholders' equity and its results of operations if sold. The Company is also subject to reinvestment risk associated with changes in interest rates. Changes in market interest rates could also affect the type (fixed-rate or adjustable-rate) and the amount of loans originated by the Company and the average life of loans and securities, which can impact the yields earned on the Company's loans and securities. Changes in interest rates may affect the average life of loans and mortgage related securities. In periods of decreasing interest rates, the average life of loans and securities held by the Company may be shortened to the extent increased prepayment activity occurs during such periods which, in turn, may result in the investment of funds from such prepayments in lower yielding assets. Under these circumstances the Company is subject to reinvestment risk to the extent that it is unable to reinvest the cash received from such prepayments at rates that are comparable to the rates on existing loans and securities. Additionally, increases in interest rates may result in decreasing loan prepayments with respect to fixed rate loans, (and therefore an increase in the average life of such loans), may result in a decrease in loan demand, and make it more difficult for borrowers to repay adjustable rate loans.

The Company utilizes the results of a detailed and dynamic simulation model to quantify the estimated exposure to net interest income to sustained interest rate changes. Management routinely monitors simulated net interest income sensitivity over a rolling two-year horizon. The simulation model captures the seasonality of the Company's deposit flows and the impact of changing interest rates on the interest income received and the interest expense paid on all assets and liabilities reflected on the Company's consolidated balance sheet. This sensitivity analysis is compared to the asset and liability policy limits that specify a maximum tolerance level for net interest income exposure over a one-year horizon given a 100 and 200 basis point upward shift in interest rates and a 100 basis point downward shift in interest rates. A parallel

Edgar Filing: BRIDGE BANCORP INC - Form 10-Q

and pro rata shift in rates over a twelve-month period is assumed.

The following reflects the Company's net interest income sensitivity analysis at March 31, 2011:

Change in Interest Rates in Basis Points (Dollars in thousands)	March 31, 2011 Potential Change in Net Interest Income		December 31, 2010 Potential Change in Net Interest Income	
	\$ Change	% Change	\$ Change	% Change
200	\$ (1,649)	(4.11%)	\$ (2,022)	(5.13%)
100	\$ (686)	(1.71%)	\$ (872)	(2.21%)
Static				
(100)	\$ 282	0.70%	\$ 183	0.46%

Table of Contents

The preceding sensitivity analysis does not represent a Company forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including, but not limited to, the nature and timing of interest rate levels and yield curve shapes, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, and reinvestment and replacement of asset and liability cash flows. While assumptions are developed based upon perceived current economic and local market conditions, the Company cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences may change.

Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to prepayment and refinancing levels likely deviating from those assumed, the varying impact of interest rate change caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals, prepayment penalties and product preference changes and other internal and external variables. Furthermore, the sensitivity analysis does not reflect actions that management might take in responding to, or anticipating changes in interest rates and market conditions.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of March 31, 2011. Based on that evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this quarterly report. There has been no change in the Company's internal control over financial reporting during the quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the factors disclosed in Item 1A., Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Removed and Reserved

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

- 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a)
- 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a)
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350

Table of Contents

SIGNATURES

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

BRIDGE BANCORP, INC.
Registrant

May 5, 2011

/s/ Kevin M. O Connor
Kevin M. O Connor
President and Chief Executive Officer

May 5, 2011

/s/ Howard H. Nolan
Howard H. Nolan
Senior Executive Vice President, Chief Financial Officer