

BRIDGE BANCORP INC
Form 10-Q
August 05, 2010

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

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934**

For the quarterly period ended June 30, 2010

Commission file number 001-34096

BRIDGE BANCORP, INC.

(Exact name of registrant as specified in its charter)

NEW YORK

11-2934195

(State or other jurisdiction of incorporation or
organization)

(IRS Employer Identification Number)

2200 MONTAUK HIGHWAY, BRIDGEHAMPTON,
NEW YORK

11932

(Address of principal executive offices)

(Zip Code)

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 6,302,489 shares of common stock outstanding as of July 29, 2010.

BRIDGE BANCORP, INC.

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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)

	June 30, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 16,337	\$ 27,108
Interest earning deposits with banks	13,997	7,039
Total cash and cash equivalents	30,334	34,147
Securities available for sale, at fair value	303,170	306,112
Securities held to maturity (fair value of \$143,239 and \$78,330, respectively)	141,233	77,424
Total securities	444,403	383,536
Securities, restricted	1,219	1,205
Loans	468,664	448,038
Allowance for loan losses	(7,431)	(6,045)
Loans, net	461,233	441,993
Premises and equipment, net	22,327	21,306
Accrued interest receivable	4,071	3,679
Other assets	9,148	11,391
Total Assets	\$ 972,735	\$ 897,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits	\$ 250,902	\$ 212,137
Savings, NOW and money market deposits	453,461	440,447
Other time deposits	79,636	67,553
Certificates of deposit of \$100,000 or more	75,467	73,401
Total deposits	859,466	793,538
Repurchase agreements	16,841	15,000
Junior subordinated debentures	16,002	16,002
Accrued interest payable	572	531
Other liabilities and accrued expenses	15,186	10,331
Total Liabilities	908,067	835,402

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:

Authorized: 20,000,000 shares; 6,410,900 and 6,397,088 shares issued, respectively; 6,291,718 and 6,261,216 shares outstanding, respectively

Surplus	64	64
Retained earnings	20,146	19,950
Less: Treasury Stock at cost, 119,182 and 135,872 shares, respectively	44,594	43,110
	(4,225)	(4,791)

60,579 58,333

Accumulated other comprehensive income (loss):

Net unrealized gain on securities, net of deferred income taxes of (\$3,800) and (\$3,457), respectively

5,774 5,249

Pension liability, net of deferred income taxes of \$1,138 and \$1,166, respectively

(1,685) (1,727)

Total Stockholders Equity **64,668** 61,855

Total Liabilities and Stockholders Equity **\$ 972,735** \$ 897,257

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)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Interest income:				
Loans (including fee income)	\$ 7,306	\$ 7,323	\$ 14,588	\$ 14,543
Mortgage-backed securities	2,378	2,816	4,907	5,854
State and municipal obligations	692	544	1,262	1,107
U.S. GSE securities	558	173	961	373
Federal funds sold		8	5	9
Deposits with banks	23		32	1
Total interest income	10,957	10,864	21,755	21,887
Interest expense:				
Savings, NOW and money market deposits	906	903	1,780	1,880
Certificates of deposit of \$100,000 or more	325	536	664	1,018
Other time deposits	290	395	595	755
Federal funds purchased and repurchase agreements	141	101	249	221
Federal Home Loan Bank Advances				1
Junior Subordinated Debentures	341		682	
Total interest expense	2,003	1,935	3,970	3,875
Net interest income	8,954	8,929	17,785	18,012
Provision for loan losses	700	1,400	2,000	2,300
Net interest income after provision for loan losses	8,254	7,529	15,785	15,712
Non interest income:				
Service charges on deposit accounts	782	805	1,404	1,435
Fees for other customer services	503	415	879	741
Title fee income	318	153	573	360
Net securities gains	412	529	1,303	529
Other operating income	14	23	72	39
Total non interest income	2,029	1,925	4,231	3,104
Non interest expense:				
Salaries and employee benefits	3,978	3,488	7,815	7,100
Net occupancy expense	737	566	1,430	1,148
Furniture and fixture expense	298	253	581	479

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FDIC assessments	279	676	574	955
Other operating expenses	1,707	1,467	3,200	2,857
Total non interest expense	6,999	6,450	13,600	12,539
Income before income taxes	3,284	3,004	6,416	6,277
Income tax expense	1,035	981	2,037	2,045
Net income	\$ 2,249	\$ 2,023	\$ 4,379	\$ 4,232
Basic earnings per share	\$ 0.36	\$ 0.33	\$ 0.70	\$ 0.68
Diluted earnings per share	\$ 0.36	\$ 0.33	\$ 0.70	\$ 0.68
Comprehensive Income	\$ 3,071	\$ 1,663	\$ 4,946	\$ 5,374

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 December 31, 2009	\$ 64	\$19,950		\$43,110	\$(4,791)	\$ 3,522	\$61,855
Net income			\$ 4,379	4,379			4,379
Proceeds from issuance of common stock		313			2		315
Stock awards granted		(541)			541		
Vesting of stock awards		(1)			(5)		(6)
Exercise of stock options, including tax benefit		(5)			28		23
Share based compensation expense		430					430
Cash dividend declared, \$0.46 per share				(2,895)			(2,895)
Other comprehensive income, net of deferred taxes:							
Change in unrealized net gains in securities available for sale, net of deferred tax effects			525			525	525
Adjustment to pension liability, net of deferred taxes			42			42	42
Comprehensive Income			\$ 4,946				
Balance at June 30, 2010	\$ 64	\$20,146		\$44,594	\$(4,225)	\$ 4,089	\$64,668

See accompanying condensed notes to the Unaudited Consolidated Financial Statements.

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BRIDGE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows(unaudited)
(In thousands)

Six months ended June 30,	2010	2009
Cash flows from operating activities:		
Net Income	\$ 4,379	\$ 4,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,000	2,300
Depreciation and amortization	850	695
Amortization, net	558	37
Share based compensation expense	430	304
Tax expense from the vesting of restricted stock awards	1	1
Tax benefit from exercise of stock options	(6)	
SERP expense	103	140
Net securities gains	(1,303)	(529)
(Increase) decrease in accrued interest receivable	(392)	202
Decrease (increase) in other assets	2,249	(983)
Increase in accrued expenses and other liabilities	254	783
Net cash provided by operating activities	9,123	7,182
Cash flows from investing activities:		
Purchases of securities available for sale	(109,015)	(21,910)
Purchases of FHLB stock	(14)	(19,514)
Purchases of securities held to maturity	(88,802)	(26,113)
Proceeds from sales of securities available for sale	31,446	13,087
Redemption of FHLB stock		22,109
Maturities and calls of securities available for sale	44,610	27,230
Maturities of securities held to maturity	24,551	22,683
Principal payments on securities	42,185	35,578
Net increase in loans	(21,240)	(18,109)
Purchase of premises and equipment	(1,871)	(1,926)
Net cash (used in) provided by investing activities	(78,150)	33,115
Cash flows from financing activities:		
Net increase in deposits	65,928	40,622
Net decrease in federal funds purchased and FHLB overnight borrowings		(60,900)
Net decrease in FHLB term advances		(30,000)
Net increase in repurchase agreements	1,841	
Net proceeds from exercise of stock options	23	
Net proceeds from issuance of common stock	315	1
Repurchase of surrendered stock from exercise of stock options and vesting of restricted stock awards	(6)	(5)
Cash dividends paid	(2,887)	(2,852)

Net cash provided by (used in) financing activities	65,214	(53,134)
Net decrease in cash and cash equivalents	(3,813)	(12,837)
Cash and cash equivalents at beginning of period	34,147	28,885
Cash and cash equivalents at end of period	\$ 30,334	\$ 16,048

Supplemental Information-Cash Flows:

Cash paid for:

Interest	\$ 3,929	\$ 3,870
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Income tax	\$ 2,890	\$ 1,205
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Noncash investing and financing activities:

Securities which settled in the subsequent period	\$ 4,227	\$
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Dividends declared and unpaid at end of period	\$ 1,449	\$ 1,431
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See accompanying condensed notes to the Unaudited Consolidated Financial Statements.

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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 six months ended June 30, 2010 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, 2009.

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. Prior period EPS figures have been presented in accordance with this accounting guidance.

The computation of EPS for the three and six months ended June 30, 2010 and 2009 is as follows:

	Three months ended, June 30,		Six months ended, June 30,	
(In thousands, except per share data)	2010	2009	2010	2009
Net Income	\$ 2,249	\$ 2,023	\$ 4,379	\$ 4,232
Less: Dividends paid on and earnings allocated to participating securities	(60)	(41)	(113)	(81)
Income attributable to common stock	\$ 2,189	\$ 1,982	\$ 4,266	\$ 4,151
	6,297	6,217	6,289	6,214

Weighted average common shares outstanding, including participating securities				
Less: weighted average participating securities	(171)	(127)	(167)	(124)
Weighted average common shares outstanding	6,126	6,090	6,122	6,090
Basic earnings per common share	\$ 0.36	\$ 0.33	\$ 0.70	\$ 0.68
Income attributable to common stock	\$ 2,189	\$ 1,982	\$ 4,266	\$ 4,151
Weighted average common shares outstanding	6,126	6,090	6,122	6,090
Weighted average common equivalent shares outstanding	1	6	1	5
Weighted average common and equivalent shares outstanding	6,127	6,096	6,123	6,095
Diluted earnings per common share	\$ 0.36	\$ 0.33	\$ 0.70	\$ 0.68

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There were 54,275 and 55,505 options outstanding at June 30, 2010 and June 30, 2009, 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 June 30, 2010, 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 six months ended June 30, 2010 and June 30, 2009 the Company did not repurchase any of its common shares. At June 30, 2010, 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 six months ended June 30, 2010 and June 30, 2009. Compensation expense attributable to stock options was \$10,000 and \$20,000 for the three months and six months ended June 30, 2010, respectively, and \$10,000 and \$21,000 for the three months and six months ended June 30, 2009, respectively.

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 second quarter of 2010. The intrinsic value of options exercised during the second quarter of 2009 was \$175,000. The intrinsic value of options outstanding and exercisable at June 30, 2010 and June 30, 2009 was \$20,000 and \$149,000, respectively. A summary of the status of the Company's stock options as of and for the six months ended June 30, 2010 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, December 31, 2009	59,405	\$ 24.74		
Granted				
Exercised	(1,800)	\$ 14.49		
Forfeited				
Expired	(1,230)	\$ 25.25		
Outstanding, June 30, 2010	56,375	\$ 25.06	5.57 years	\$ 20,093
Vested or expected to vest	52,918	\$ 25.04	5.51 years	\$ 20,093
Exercisable, June 30, 2010	47,092	\$ 25.02	5.40 years	\$ 20,093
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

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During the six months ended June 30, 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 each year after years three, four and five. The remaining 4,430 shares vest ratably over five years beginning in January 2011. During the six months ended June 30, 2009, restricted stock awards of 29,392 shares were granted. These awards vest over five years with a third vesting each year after years three, four and five. Compensation expense attributable to restricted stock awards was \$184,000 and \$361,000 for the three months and six months ended June 30, 2010, respectively, and \$134,000 and \$272,000 for the three months and six months ended June 30, 2009, respectively.

A summary of the status of the Company's unvested restricted stock as of and for the six months ended June 30, 2010 is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Unvested, December 31, 2009	148,882	\$ 21.31
Granted	15,500	\$ 23.58
Vested	(500)	\$ 26.55
Forfeited		
Unvested, June 30, 2010	163,882	\$ 21.51

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. 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 \$28,000 and \$49,000 for the three and six months ended June 30, 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 June 30, 2010 and December 31, 2009 and the corresponding amounts of unrealized gains and losses therein:

(In thousands)	June 30, 2010			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available for sale:				
U.S. GSE securities	\$ 57,974	\$ 569	\$	\$ 58,543
State and municipal obligations	36,661	1,477		38,138
U.S. GSE residential mortgage-backed securities	83,010	4,335	(10)	87,335
U.S. GSE residential collateralized mortgage obligations	115,951	3,203		119,154
Total available for sale	293,596	9,584	(10)	303,170
Held to maturity:				
U.S. GSE securities	29,964	251		30,215
State and municipal obligations	69,104	620	(130)	69,594

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U.S. GSE residential collateralized mortgage obligations	42,165	1,265		43,430
Total held to maturity	141,233	2,136	(130)	143,239
Total securities	\$434,829	\$ 11,720	\$ (140)	\$446,409

(In thousands)	December 31, 2009			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available for sale:				
U.S. GSE securities	\$ 45,787	\$ 309	\$ (157)	\$ 45,939
State and municipal obligations	40,340	1,473	(8)	41,805
U.S. GSE residential mortgage-backed securities	101,837	4,561	(61)	106,337
U.S. GSE residential collateralized mortgage obligations	109,442	2,722	(133)	112,031
Total available for sale	297,406	9,065	(359)	306,112
Held to maturity:				
U.S. GSE securities	5,000		(73)	4,927
State and municipal obligations	54,104	400	(8)	54,496
U.S. GSE residential collateralized mortgage obligations	18,320	589	(2)	18,907
Total held to maturity	77,424	989	(83)	78,330
Total securities	\$374,830	\$ 10,054	\$ (442)	\$384,442

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The following table summarizes the amortized cost, fair value and maturities of the available for sale and held to maturity investment securities portfolio at June 30, 2010. 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.

	June 30, 2010	
	Amortized Cost	Fair Value
(In thousands)		
Maturity		
Available for sale:		
Within one year	\$ 11,154	\$ 11,325
One to five years	51,082	52,328
Five to ten years	67,201	69,239
Beyond ten years	164,159	170,278
Total	\$293,596	\$303,170
Held to maturity:		
Within one year	\$ 23,462	\$ 23,501
One to five years	37,830	38,427
Five to ten years	15,136	15,338
Beyond ten years	64,805	65,973
Total	\$141,233	\$143,239

Securities with unrealized losses at June 30, 2010 and December 31, 2009, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 months Unrealized		Greater than 12 months Unrealized		Total Unrealized	
June 30, 2010	Fair Value	losses	Fair Value	losses	Fair Value	losses
(In thousands)						
Available for sale:						
U.S. GSE residential mortgage-backed securities	\$ 5,115	\$ 10	\$	\$	\$ 5,115	\$ 10
Total available for sale	\$ 5,115	\$ 10	\$	\$	\$ 5,115	\$ 10
Held to maturity:						
State and municipal obligations	\$12,989	\$ 130	\$	\$	\$12,989	\$ 130
Total held to maturity	\$12,989	\$ 130	\$	\$	\$12,989	\$ 130
December 31, 2009	Less than 12 months Unrealized		Greater than 12 months Unrealized		Total Unrealized	

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(In thousands)	Fair Value	losses	Fair Value	losses	Fair Value	losses
Available for sale:						
U.S. GSE securities	\$ 15,637	\$ 157	\$	\$	\$ 15,637	\$ 157
State and municipal obligations	742	8			742	8
U.S. GSE residential mortgage-backed securities	9,879	61			9,879	61
U.S. GSE residential collateralized mortgage obligations	5,845	133			5,845	133
Total available for sale	\$ 32,103	\$ 359	\$	\$	\$ 32,103	\$ 359
Held to maturity:						
U.S. GSE securities	\$ 4,927	\$ 73	\$	\$	\$ 4,927	\$ 73
State and municipal obligations	10,818	8			10,818	8
U.S. GSE residential collateralized mortgage obligations	4,952	2			4,952	2
Total held to maturity	\$ 20,697	\$ 83	\$	\$	\$ 20,697	\$ 83
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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. 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 June 30, 2010, the majority of unrealized losses on available for sale securities are related to the Company's residential mortgage-backed securities and 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 June 30, 2010.

Proceeds from sales of securities available for sale were \$9.4 million and \$13.1 for the three months ended June 30, 2010 and 2009, respectively. Proceeds from sales of securities available for sale were \$31.4 million and \$13.1 million for the six months ended June 30, 2010 and 2009, respectively. Gross gains of \$0.4 million and \$1.3 million were realized on these sales during the three and six months ended June 30, 2010, respectively. Gross gains of \$0.5 million were realized on these sales during the three and six months ended June 30, 2009. Proceeds from calls of securities available for sale were \$35.6 million and \$0 million for the three months ended June 30, 2010 and 2009, respectively. Proceeds from calls of securities available for sale were \$40.6 million and \$20.0 million for the six months ended June 30, 2010 and 2009, respectively.

Securities having a fair value of approximately \$258.7 million and \$247.3 million at June 30, 2010 and December 31, 2009, 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 six months ended June 30, 2010 or the year ended December 31, 2009. As of June 30, 2010, the Bank purchased five municipal securities totaling \$4.2 million that will settle during the beginning of the third quarter. These securities are included in the consolidated balance sheet at June 30, 2010 as securities held to maturity with a corresponding amount reflected in other liabilities and accrued expenses.

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 also a member of the Federal Reserve Bank (FRB) system and required to own FRB stock. FHLB 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 \$1.2 million in FHLB and FRB stock at June 30, 2010 and December 31, 2009, and reported these amounts as restricted securities in the consolidated balance sheets.

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.

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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:

Fair Value Measurements at June 30, 2010 Using: Significant				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Carrying Value				
(In thousands)				
Financial Assets:				
Available for sale securities				
U.S. GSE securities	\$ 58,543	\$ 58,543		
State and municipal obligations	38,138	38,138		
U.S. GSE residential mortgage-backed securities	87,335	87,335		
U.S. GSE residential collateralized mortgage obligations	119,154	119,154		
Total available for sale	\$303,170	\$ 303,170		

Fair Value Measurements at December 31, 2009 Using: Significant				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Carrying Value				
(In thousands)				
Financial Assets:				
Available for sale securities				
U.S. GSE securities	\$ 45,939	\$ 45,939		
State and municipal obligations	41,805	41,805		
U.S. GSE residential mortgage-backed securities	106,337	106,337		
	112,031	112,031		

U.S. GSE residential collateralized mortgage
obligations

Total available for sale	\$306,112	\$306,112
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Assets measured at fair value on a non-recurring basis are summarized below:

Fair Value Measurements at June 30, 2010 Using: Significant				
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
Impaired loans	\$ 693			\$ 693

Fair Value Measurements at December 31, 2009 Using: Significant				
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
Impaired loans	\$ 48			\$ 48

For impaired loans, the Company evaluates the impairment of the loan in accordance with FASB ASC 310-10-35-22. Generally, impairment is determined based on the present value of expected future cash flows discounted at the loan's effective interest rate or 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 Trouble Debt Restructured loans, impairment is determined based on the present value of expected future cash flows discounted at the loan's effective interest rate, which is not a fair value measure and accordingly, such loans are excluded from the fair value disclosures above. These methods of fair value measurement for impaired loans are considered level 3 within the fair value hierarchy described in FASB ASC 820-10-50-5. Impaired loans with allocated allowance for loan losses at June 30, 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 June 30, 2010. Impaired loans with allocated allowance for loan losses at December 31, 2009, had a carrying amount of \$48,000, which is made up of the outstanding balance of \$98,000, net of a valuation allowance of \$50,000. This resulted in an additional provision for loan losses of \$50,000 that is included in the amount reported on the income statement as of December 31, 2009.

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.

Restricted Stock: It is not practicable to determine the fair value of FHLB 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.

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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.

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 June 30, 2010 and December 31, 2009.

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)	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	\$ 16,337	\$ 16,337	\$ 27,108	\$ 27,108
Interest bearing deposits with banks	13,997	13,997	7,039	7,039
Securities available for sale	303,170	303,170	306,112	306,112
Securities restricted	1,219	n/a	1,205	n/a
Securities held to maturity	141,233	143,239	77,424	78,330
Loans, net	461,233	474,522	441,993	449,496
Accrued interest receivable	4,071	4,071	3,679	3,679
Financial liabilities:				
Demand and other deposits	859,466	860,394	793,538	794,512
Repurchase agreements	16,841	17,873	15,000	15,210
Junior Subordinated Debentures	16,002	15,290	16,002	15,500
Accrued interest payable	572	572	531	531

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The following table sets forth the major classifications of loans:

	June 30, 2010	December 31, 2009
(In thousands)		
Commercial real estate mortgage loans	\$ 223,058	\$ 204,159
Residential real estate mortgage loans	127,458	123,013
Commercial, financial, and agricultural loans	95,523	93,682
Installment/consumer loans	7,580	7,352
Real estate-construction and land loans	14,417	19,347
 Total loans	 468,036	 447,553
Net deferred loan costs and fees	628	485
	468,664	448,038
Allowance for loan losses	(7,431)	(6,045)
 Net loans	 \$ 461,233	 \$ 441,993

The principal business of the Bank is lending, primarily in commercial real estate loans, residential 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 on Long Island, New York, and a substantial portion of the Bank's loans are secured by real estate in this area. Accordingly, the ultimate collectibility of such a loan portfolio is susceptible to changes in market and economic conditions in this region.

As of June 30, 2010 and December 31, 2009, the Company had impaired loans as defined by FASB ASC No. 310, "Receivables" of \$11.4 million and \$9.1 million, respectively. The increase primarily relates to one \$2.1 million relationship representing loans secured by first mortgage liens on real estate with recently appraised values aggregating \$9.3 million. 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 \$8.2 million or 1.75% of total loans at June 30, 2010 and were \$5.9 million or 1.31% of total loans at December 31, 2009. There were no loans 90 days or more past due that were still accruing at June 30, 2010 and December 31, 2009. Approximately \$4.8 million of the nonaccrual loans at June 30, 2010 and \$4.9 million of the nonaccrual loans at December 31, 2009, represent troubled debt restructured loans where the borrowers are complying with the modified terms of the loans and are currently making payments. These loans are secured with collateral that has a fair value of \$7.9 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 June 30, 2010 and December 31, 2009, 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 \$241,000 of interest income has been recognized.

The average recorded investment in the impaired loans during the six months ended June 30, 2010 was \$11.5 million and was \$7.4 million for the year ended December 31, 2009. At June 30, 2010, 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 amount of the allowance for loan losses allocated to impaired loans as of June 30, 2010 and December 31, 2009 was \$7,000 and \$50,000, respectively.

The Bank had no foreclosed real estate at June 30, 2010, December 31, 2009 and June 30, 2009, respectively.

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The Company monitors its entire loan portfolio on a regular basis, with consideration given to detailed analyses of classified loans, repayment patterns, probable incurred losses, past loss experience, current economic conditions, the regulatory environment, 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. Based on the determination of management and the Credit Risk Committee, the overall level of the allowance is periodically adjusted to account for the inherent and specific risks within 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 June 30, 2010, December 31, 2009 and June 30, 2009, the Company determined the allowance for loan losses to be adequate.

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

(In thousands)	For the Six Months Ended		For the Year
	June 30, 2010	June 30, 2009	Ended December 31, 2009
Beginning balance	\$ 6,045	\$ 3,953	\$ 3,953
Provision for loan loss	2,000	2,300	4,150
Net charge-offs	(614)	(1,230)	(2,058)
Ending balance	\$ 7,431	\$ 5,023	\$ 6,045

9. EMPLOYEE BENEFITS

The Bank maintains a noncontributory pension plan through the New York State Bankers Association Retirement System covering all eligible employees.

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 \$122,243 contribution to the pension plan during the six months ended June 30, 2010. There were no contributions made to the SERP during the six months ended June 30, 2010.

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:

(In thousands)	Three months ended June 30,				Six months ended June 30,			
	Pension Benefits		SERP Benefits		Pension Benefits		SERP Benefits	
	2010	2009	2010	2009	2010	2009	2010	2009
Service cost	\$ 192	\$ 119	\$ 23	\$ 40	\$ 382	\$ 238	\$ 47	\$ 80
Interest cost	108	80	16	14	215	158	31	29
Expected return on plan assets	(170)	(129)			(338)	(256)		
Amortization of net loss	26	22		4	52	44		7
Amortization of unrecognized prior	2	2			4	4		

service cost								
Amortization of unrecognized transition (asset) obligation			7	7			14	14
Net periodic benefit cost	\$ 158	\$ 94	\$ 46	\$ 65	\$ 315	\$ 188	\$ 92	\$ 130

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Table of Contents**10. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

At June 30, 2010, June 30, 2009 and December 31, 2009, securities sold under agreements to repurchase totaled \$16.8 million, \$15.0 million, and \$15.0 million respectively and were secured by U.S. GSE securities, mortgage-backed securities and collateralized mortgage obligations with a carrying amount of \$23.8 million, \$21.5 million and \$22.2 million, respectively.

Securities sold under agreements to repurchase are financing arrangements with \$1.8 million maturing during the third quarter of 2010, \$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:

	For the six months ended		For the year ended
	June 30, 2010	June 30, 2009	December 31, 2009
(Dollars in thousands)			
Average daily balance	\$16,223	\$15,000	\$15,000
Average interest rate	3.02%	2.34%	2.35%
Maximum month-end balance	\$17,187	\$15,000	\$15,000
Weighted average interest rate	3.29%	2.34%	2.35%

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. As of June 30, 2010 the outstanding balance of the Debentures is \$16.0 million.

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

12. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-16 *Accounting for Transfers of Financial Assets*. This standard improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. This Statement must be applied to transfers occurring on or after the effective date. Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. Additionally, the disclosure provisions of this Statement should be applied to transfers that occurred both before and after the effective date of this Statement. The adoption of this Statement did not have a significant impact to the Company's financial statements.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05, *Measuring Liabilities at Fair Value* , which is codified as ASC 820, *Fair Value Measurements and Disclosures* . This Update provides amendments to Topic 820-10, Fair Value Measurements and Disclosures Overall, for the fair value measurement of liabilities. This Update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using a valuation technique that uses the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities when traded as assets, or that is consistent with the principles of Topic 820. The amendments in this Update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents transfer of the liability. The

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amendments in this Update also clarify that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance provided in this Update is effective for the first reporting period (including interim periods) beginning after issuance. The adoption of this Update did not have a significant impact to the Company's financial statements.

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, outlook, estimates, assumes, likely, and variations 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, including earnings growth; revenue growth in retail banking, lending and other areas; origination volume in the Company's consumer, commercial and other lending businesses; current and future capital management programs; non-interest income levels, including fees from the 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: changes in economic conditions including an economic recession that could affect the value of real estate collateral and the ability for borrowers to repay their loans; 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; demand for loan products and other 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 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, 2009 and in quarterly and 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 and merchant credit and debit card processing programs, 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.

Quarterly Highlights

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Net income of \$2.2 million or \$.36 per diluted share as compared to net income of \$2.0 million or \$.33 per diluted share for the second quarter in 2009.

Returns on average assets and equity of 0.96% and 15.67%, respectively.

Net interest income increased to \$9.0 million for the second quarter of 2010 compared to \$8.9 million in 2009.

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A net interest margin of 4.21% for the second quarter of 2010 compared to 4.78% for 2009.
 Recognized a gain on the sale of securities totaling \$0.4 million for the second quarter of 2010.
 Total loans at June 30, 2010 of \$468.7 million, an increase of \$20.6 million or 4.6% over December 31, 2009 and an increase of \$22.1 million or 5.0% over June 30, 2009.
 Total assets of \$972.7 million at June 30, 2010, an increase of \$75.5 million or 8.4% compared to December 31, 2009 and an increase of \$179.5 million or 22.6% compared to June 30, 2009.
 Deposits of \$859.5 million, an increase of \$65.9 million or 8.3% over December 31, 2009 and an increase of \$159.8 million or 22.8% compared to June 30, 2009 levels.
 Increased Allowance for Loan Losses as a percentage to Loans to 1.59% as of June 30, 2010 compared to 1.35% at December 31, 2009 and 1.12% at June 30, 2009.
 Tier 1 Capital increased \$20.6 million to \$76.6 million as of June 30, 2010 compared to June 30, 2009.
 The declaration of a cash dividend of \$0.23 per share for the second quarter of 2010.

Principal Products and Services and Locations of Operations

The Bank operates seventeen branches on eastern Long Island. Federally chartered in 1910, the Bank was founded by local farmers and merchants. For the past 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.

Significant Events

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 \$375,000 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 January 12, 2010, the FDIC approved an advance notice of proposed rulemaking that requested feedback from the public on whether employee compensation plans pose risks that should be reflected in the deposit insurance assessment program. The FDIC is concerned that certain compensation structures may encourage risk taking that can result in losses in the financial system.

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.

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On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed by the President. The Act permanently raises the current standard maximum deposit insurance amount to \$250,000. The standard maximum insurance amount of \$100,000 had been temporarily raised to \$250,000 until December 31, 2013.

Opportunities and Challenges

Since the second half of 2007 and continuing through 2009, 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. At their meetings in April and June 2010, the Federal Reserve decided to maintain the federal funds target rate between 0 and 25 basis points due to the continued high level of unemployment and tight credit markets.

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 six new branches. In January 2007, the Bank opened a new branch in the Village of Southampton; in February 2007, in Cutchogue; and in September 2007, in 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. On May 3, 2010 the Bank opened a new branch in Center Moriches. The opening of the branch facilities in Wading River, Shirley and Center Moriches move the Bank geographically westward and demonstrate our 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.

In November 2008, the Bank received approval from the Office of the Comptroller of the Currency (OCC) to open a new branch facility in Deer Park, New York. In March 2010, the Bank received approval from the OCC to open a new branch in Patchogue, New York, and to relocate its branch at 26 Park Place, East Hampton, New York to 55 Main Street, East Hampton, New York. The Deer Park, Patchogue and East Hampton branch locations are expected to open during the third quarter of 2010.

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.

During the first half of 2010, our customers have indicated that they are, in general, in better shape than they were a year ago. They are seeing more prospective customers, opportunities for work and, as a result, are more optimistic. They've managed their businesses during a difficult cycle, making the tough choices necessary to survive and succeed. Management considers this market intelligence as it looks at prospects and believes its liquidity and additional capital provide opportunities for the Bank to participate in the budding economic recovery. However, the economic outlook remains difficult to predict with recent indicators seeming to suggest economic activity is slowing, fueling speculation about future growth and even the potential for a double-dip recession. Management remains concerned regarding the macro economic issues, including real estate values, the lack of job creation and the stubbornly high unemployment rate, federal and state budgets continuing to have large deficits, and the impact of financial and regulatory reform. These factors bear watching and will be important considerations as management looks at business plans and loan requests.

The activity during the six months ended June 30, 2010, relating to liquidity deployment, security portfolio management and reserves reflect a cautiously optimistic view of market opportunities. Loan growth has increased during the three months ended June 30, 2010, and the Bank continues to receive inquiries from customers which may translate into future loan activity. The investment activities are consistent with a strategy of managing for the eventuality of higher interest rates. Finally, the additional provisions for loan losses increased our coverage ratio of the allowance to loans. Management believes given the economic and regulatory environment, these actions were prudent. The ability to navigate this demanding economic environment represents one of management's greatest challenges. Management is in continuous dialogue with customers assessing the impact of local and national developments on their businesses and finances, and working with borrowers, who despite short term issues, want to honor their commitments and obligations. Management is also watching industry trends to identify the concerns of regulators.

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Corporate objectives for 2010 include: leveraging our expanding branch network to build customer relationships and grow loans and deposits; 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 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.

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 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 also are 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 as follows: first, loans with homogenous characteristics are pooled by loan type and include home equity loans, residential mortgages, land loans and consumer loans. Then all remaining loans are segregated into pools based upon the risk rating of each credit. Key factors in determining a credit's risk rating include management's evaluation of: cash flow, collateral, guarantor support, financial disclosures, industry trends and strength of borrowers' management. 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. Management considers its

own charge-off history, delinquency status, collateral, loan concentrations along with the growth in the portfolio as well as the Bank's credit administration and asset management philosophies and procedures when determining the allowances for each pool. In addition, management evaluates and considers the impact that economic and market conditions may have on the portfolio as well as known and inherent risks in the portfolio. Finally, management evaluates and considers 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.

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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 June 30, 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.

Net Income

Net income for the three months ended June 30, 2010 was \$2.2 million or \$0.36 per diluted share as compared to \$2.0 million or \$0.33 per diluted share for the same period in 2009. Changes for the three months ended June 30, 2010 compared to June 30, 2009 include: (i) \$0.03 million or 0.3% increase in net interest income; (ii) a \$0.7 million or 50% decrease in the provision for loan losses; (iii) \$0.1 million or 5.4% increase in total non interest income as a result of higher fees for other customer services and higher title insurance revenues, partly offset by lower net securities gains; (iv) \$0.5 million or 8.5% increase in total non interest expenses, primarily due to a \$0.5 million increase in salaries and employee benefits related to increased staffing and related benefits, a \$0.2 million increase in net occupancy expenses, a \$0.3 million increase in furniture & fixtures and other operating expenses primarily related to the new branches and marketing expenses for the 100th year anniversary of the Bank. These expenses were partly offset by the decrease in FDIC insurance related to the special assessment of \$0.4 million that was recorded during the second quarter of 2009. The provision for loan losses of \$0.7 million was recorded this quarter due to the continued growth of our loan portfolio as well as our assessment of risk factors considering the continued weak economic environment and overall industry trends. The coverage ratio of the allowance for loan losses to loans increased to 1.59%. A provision for loan losses of \$1.4 million was recorded during the second quarter of 2009, resulting in a coverage ratio of the allowance for loan losses to loans of 1.12%. The effective income tax rate was 31.5% for the quarter ended June 30, 2010 compared to 32.7% for the same period last year.

Net income for the six months ended June 30, 2010 was \$4.4 million or \$0.70 per diluted share as compared to \$4.2 million or \$0.68 per diluted share for the same period in 2009. Changes for the six months ended June 30, 2010 compared to June 30, 2009 include: (i) \$0.2 million or 1.3% decrease in net interest income; (ii) a decrease of \$0.3 million or 13.0% in the provision for loan losses, (iii) \$1.1 million or 36.3% increase in total non interest income as a result of an increase in net securities gains of \$0.8 million, higher fees for other customer services and higher title insurance revenues partially offset by lower service charges on deposit accounts; (iv) \$1.1 million or 8.5% increase in total non interest expenses, primarily due to a \$0.7 million increase in salaries and employee benefits related to increased staffing and related benefits, a \$0.3 million increase in net occupancy expenses, a \$0.4 increase in furniture & fixtures and other operating expenses primarily related to the new branches and marketing expenses for the 100th year anniversary of the Bank. These expenses were partly offset by the decrease in FDIC insurance related to the special assessment of \$0.4 million that was recorded during the second quarter of 2009. The effective income tax rate decreased to 31.8% from 32.6% 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*.

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Table of Contents**Three months ended June 30,**

	2010			2009		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
(In thousands)						
Interest earning assets:						
Loans, net (including loan fee income)	\$449,023	\$ 7,306	6.53%	\$441,236	\$ 7,323	6.66%
Mortgage-backed securities	227,424	2,378	4.19	226,806	2,816	4.98
Tax exempt securities ⁽¹⁾	108,248	1,063	3.94	70,090	836	4.78
Taxable securities	81,854	558	2.73	21,141	173	3.28
Federal funds sold	35			10,618	8	0.30
Deposits with banks	22,383	23	0.41	3,601		
Total interest earning assets	888,967	11,328	5.11	773,492	11,156	5.79
Non interest earning assets:						
Cash and due from banks	16,158			14,217		
Other assets	38,707			29,322		
Total assets	\$943,832			\$817,031		
Interest bearing liabilities:						
Savings, NOW and money market deposits	\$461,106	\$ 906	0.79%	\$374,189	\$ 903	0.97%
Certificates of deposit of \$100,000 or more	76,830	325	1.70	83,430	536	2.58
Other time deposits	72,920	290	1.60	69,095	395	2.29
Federal funds purchased and repurchase agreements	24,664	141	2.29	32,593	101	1.24
Federal Home Loan Bank term advances						
Junior Subordinated Debentures	16,002	341	8.55			
Total interest bearing liabilities	651,522	2,003	1.23	559,307	1,935	1.39
Non interest bearing liabilities:						
Demand deposits	229,338			196,522		
Other liabilities	5,401			6,088		
Total liabilities	886,261			761,917		
Stockholders' equity	57,571			55,114		
Total liabilities and stockholders equity	\$943,832			\$817,031		
Net interest income/interest rate spread ⁽²⁾						
		9,325	3.88%		9,221	4.40%

Net interest earning assets/net interest margin ⁽³⁾	\$237,445	4.21%	\$214,185	4.78%
Ratio of interest earning assets to interest bearing liabilities		136.44%		138.29%
Less: Tax equivalent adjustment	(371)		(292)	
Net interest income	\$ 8,954		\$ 8,929	

(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.

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	Six months ended June 30,					
	2010			2009		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
(In thousands)						
Interest earning assets:						
Loans, net (including loan fee income)	\$447,593	\$ 14,588	6.57%	\$435,233	\$ 14,543	6.74%
Mortgage-backed securities	229,625	4,907	4.31	234,825	5,854	5.03
Tax exempt securities ⁽¹⁾	101,486	1,938	3.85	70,076	1,700	4.89
Taxable securities	71,542	961	2.71	18,519	373	4.06
Federal funds sold	3,528	5	0.29	6,059	9	0.30
Deposits with banks	17,776	32	0.36	3,019	1	0.07
Total interest earning assets	871,550	22,431	5.19	767,731	22,480	5.90
Non interest earning assets:						
Cash and due from banks	15,615			13,982		
Other assets	37,212			28,790		
Total assets	\$924,377			\$810,503		
Interest bearing liabilities:						
Savings, NOW and money market deposits	\$458,424	\$ 1,780	0.78%	\$370,823	\$ 1,880	1.02%
Certificates of deposit of \$100,000 or more	74,099	664	1.81	81,759	1,018	2.51
Other time deposits	69,893	595	1.72	64,574	755	2.36
Federal funds purchased and repurchase agreements	20,512	249	2.45	42,610	221	1.05
Federal Home Loan Bank term advances				166	1	1.21
Junior Subordinated Debentures	16,002	682	8.59			
Total interest bearing liabilities	638,930	3,970	1.25	559,932	3,875	1.40
Non interest bearing liabilities:						
Demand deposits	222,024			189,899		
Other liabilities	5,775			5,295		
Total liabilities	866,729			755,126		
Stockholders' equity	57,648			55,377		
Total liabilities and stockholders equity	\$924,377			\$810,503		
		18,461	3.94%		18,605	4.50%

Net interest income/interest rate
spread ⁽²⁾

Net interest earning assets/net interest
margin ⁽³⁾

\$232,620

4.27%

\$207,799

4.89%

Ratio of interest earning assets to
interest bearing liabilities

136.41%

137.11%

Less: Tax equivalent adjustment

(676)

(593)

Net interest income

\$17,785

\$18,012

(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.

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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 June 30, 2010 Over 2009 Changes Due To			Six months ended June 30, 2010 Over 2009 Changes Due To		
	Volume	Rate	Net Change	Volume	Rate	Net Change
Interest income on interest earning assets:						
Loans, net (including loan fee income)	\$ 544	\$ (561)	\$ (17)	\$ 808	\$ (763)	\$ 45
Mortgage-backed securities	53	(491)	(438)	(127)	(820)	(947)
Tax exempt securities ⁽¹⁾	1,063	(836)	227	1,150	(912)	238
Taxable securities	582	(197)	385	975	(387)	588
Federal funds sold	(4)	(4)	(8)	(4)		(4)
Deposits with banks	3	20	23	17	14	31
Total interest earning assets	2,241	(2,069)	172	2,819	(2,868)	(49)
Interest expense on interest bearing liabilities:						
Savings, NOW and money market deposits	755	(752)	3	842	(942)	(100)
Certificates of deposit of \$100,000 or more	(40)	(171)	(211)	(56)	(298)	(354)
Other time deposits	132	(237)	(105)	155	(315)	(160)
Federal funds purchased and repurchase agreements	(144)	184	40	(326)	354	28
Federal Home Loan Bank Advances				(1)		(1)
Junior subordinated debentures	341		341	682		682
Total interest bearing liabilities	1,044	(976)	68	1,296	(1,201)	95
Net interest income	\$ 1,197	\$ (1,093)	\$ 104	\$ 1,523	\$ (1,667)	\$ (144)

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

basis.

Analysis of Net Interest Income for the Three Months ended June 30, 2010 and June 30, 2009

Net interest income was \$9.0 million for the three months ended June 30, 2010 compared to \$8.9 million for the same period in 2009, an increase of \$0.1 million or 0.3%. Net interest margin declined to 4.21% for the quarter ended June 30, 2010 as compared to 4.78% for the quarter ended June 30, 2009. This decrease was primarily the result of the decrease in the yield on average total interest earning assets being greater than the decrease in the cost of the average total interest bearing liabilities. The yield on interest earning assets decreased approximately 68 basis points which was partly offset by the cost of interest bearing liabilities decreasing approximately 16 basis points during the second quarter of 2010 compared to 2009.

For the three months ended June 30, 2010, average loans grew by \$7.8 million or 1.8% to \$449.0 million as compared to \$441.2 million for the same period in 2009. Real estate mortgage loans and commercial 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 June 30, 2010, average total securities increased by \$99.5 million or 31.3% to \$417.5 million as compared to \$318.0 million for the three months ended June 30, 2009. To position the balance sheet for the future and better manage liquidity and interest rate risk, a portion of the available for sale securities portfolio was sold during the second quarter of 2010 resulting in a net gain of \$0.4 million. Average federal funds sold decreased \$10.5 million to \$0.1 million for the three months ended June 30, 2010 from \$10.6 million in 2009. The decrease in the average federal funds sold for the three months ended June 30, 2010 was offset by the growth in average interest earning cash of \$18.8 million for the three months ended June 30, 2010 from \$3.6 million in 2009 to \$22.4 million in 2010.

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Average total interest bearing liabilities totaled \$651.5 million for the three months ended June 30, 2010 compared to \$559.3 million for the same period in 2009. The Bank grew deposits as a result of opening two branches during 2009 and one new branch during 2010 as well as building new relationships in existing markets. During the fourth quarter of 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 subsidiary, Bridge Statutory Capital Trust II. 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. The junior subordinated debentures bear interest at a fixed rate equal to 8.50% and mature on December 31, 2039. Since June 30, 2009, the Bank reduced interest rates on deposit products through prudent management of deposit pricing. The reduction in deposit rates along with lower borrowing costs resulted in a decrease in the cost of interest bearing liabilities from 1.39% for the three months ended June 30, 2009 to 1.23% 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 June 30, 2010, average total deposits increased by \$117.0 million or 16.2% to \$840.2 million as compared to average total deposits of \$723.2 million for the same period in 2009. Components of this increase include an increase in average balances in savings, NOW and money market accounts of \$87.0 million or 23.2% to \$461.1 million for the three months ended June 30, 2010 compared to \$374.2 million for the same period last year. Average balances in certificates of deposit of \$100,000 or more and other time deposits decreased \$2.8 million or 1.8% to \$149.7 million for 2010 as compared to \$152.5 for the same period last year. Average public fund deposits comprised 19.1% of total average deposits during the three months ended June 30, 2010 and 2009. Average federal funds purchased and repurchase agreements decreased \$7.9 million or 24.3% to \$24.7 million for the three months ended June 30, 2010 as compared to \$32.6 million for the same period in the prior year.

Total interest income increased \$0.1 million or 0.9% to \$11.0 million for the three months ended June 30, 2010 from \$10.9 million for the same period in 2009. Interest income on loans remained the same at \$7.3 million for the three months ended June 30, 2010 and June 30, 2009, respectively. The yield on average loans was 6.5% for 2010 as compared to 6.7% in 2009.

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 June 30, 2010 compared to \$3.5 million for the same period in 2009. Interest income on securities included net amortization of premium of \$308,000 in the 2010 period compared to \$46,000 for the same period in 2009. The tax adjusted average yield on total securities decreased to 3.8% in 2010 from 4.8% in 2009.

Interest expense increased \$0.1 million or 3.5% to \$2.0 million for the three months ended June 30, 2010 compared to \$1.9 million for the same period in 2009. The increase in interest expense in 2010 resulted from \$0.3 million in interest paid related to \$16.0 million of junior subordinated debentures which was partly offset by prudent management of deposit pricing.

Analysis of Net Interest Income for the Six Months ended June 30, 2010 and June 30, 2009

Net interest income was \$17.8 million for the six months ended June 30, 2010 compared to \$18.0 million for the same period in 2009, a decrease of \$0.2 million or 1.3%. Net interest margin declined to 4.27% for the six months ended June 30, 2010 as compared to 4.89% for the same period in 2009. This decrease was primarily the result of the decrease in the yield on average total interest earning assets being greater than the decrease in the cost of the average total interest bearing liabilities. The yield on interest earning assets decreased approximately 71 basis points which was partly offset by the cost of interest bearing liabilities decreasing approximately 15 basis points during the six months ended June 30, 2010 compared to 2009.

For the six months ended June 30, 2010, average loans grew by \$12.4 million or 2.8% to \$447.6 million as compared to \$435.2 million for the same period in 2009. Real estate mortgage loans and commercial 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 six months ended June 30, 2010, average total investments increased by \$79.2 million or 24.5% to \$402.7 million as compared to \$323.4 million for the six months ended June 30, 2009. To position the balance sheet for the future and better manage liquidity and interest rate risk, a portion of the available for sale investment securities portfolio was sold during the six months ended June 30, 2010 resulting in a net gain of \$1.3 million. Average federal funds sold decreased \$2.6 million to \$3.5 million for the six months ended June 30, 2010 from \$6.1 million in 2009. The decrease in the average federal funds sold for the six months ended June 30, 2010 was offset by the growth in average interest earning cash of \$14.8 million for the six months ended June 30, 2010 from \$3.0 million in 2009 to \$17.8 million in 2010.

Average total interest bearing liabilities totaled \$638.9 million for the six months ended June 30, 2010 compared to \$559.9 million for the same period in 2009. The Bank grew deposits as a result of opening two branches during 2009 and one new branch during 2010 as

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well as building new relationships in existing markets. Since June 30, 2009, the Bank reduced interest rates on deposit products through prudent management of deposit pricing. The reduction in deposit rates was partially offset by higher borrowing costs and resulted in a decrease in the cost of interest bearing liabilities from 1.40% for the six months ended June 30, 2009 to 1.25% 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 six months ended June 30, 2010, average total deposits increased by \$117.4 million or 16.6% to \$824.4 million as compared to average total deposits of \$707.0 million for the same period in 2009. Components of this increase include an increase in average balances in savings, NOW and money market accounts of \$87.6 million or 23.6% to \$458.4 million for the six months ended June 30, 2010 compared to \$370.8 million for the same period last year. Average balances in certificates of deposit of \$100,000 or more and other time deposits decreased \$2.3 million or 1.6% to \$144.0 million for 2010 as compared to \$146.3 for the same period in 2009. Average public fund deposits comprised 20.4% of total average deposits during the six months ended June 30, 2010, and 20.7% of total average deposits for the same period in 2009. Average federal funds purchased and repurchase agreements decreased \$22.1 million to \$20.5 million for the six months ended June 30, 2010 as compared to \$42.6 million for the same period in the prior year. Federal Home Loan Bank term advances were zero for the six months ended June 30, 2010 compared to an average balance of \$0.2 million for the same period in 2009.

Total interest income decreased \$0.1 million or 0.6% to \$21.8 million for the six months ended June 30, 2010 from \$21.9 million for the same period in 2009. Interest income on loans increased \$0.1 million or 0.3% to \$14.6 million in 2010 compared to \$14.5 million in 2009 primarily due to growth in the loan portfolio partially offset by a decrease in yield on average loans. The yield on average loans was 6.6% for 2010 as compared to 6.7% in 2009.

Interest income on investments in mortgage-backed, taxable and tax exempt securities decreased \$0.2 million to \$7.1 million for the six months ended June 30, 2010 compared to \$7.3 million for the same period in 2009. Interest income on securities included net amortization of premium of \$558,000 in the 2010 period compared to \$37,000 for the same period in 2009. The tax adjusted average yield on total securities decreased to 3.9% in 2010 from 4.9% in 2009.

Interest expense increased \$0.1 million or 2.5% to \$4.0 million for the six months ended June 30, 2010 compared to \$3.9 million for the same period in 2009. The increase in interest expense in 2010 resulted from the \$0.7 million in interest paid related to \$16.0 million of junior subordinated debentures which was partly offset by 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 on eastern 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 \$44.1 million or 9.4% of total loans at June 30, 2010 were classified as potential problem loans compared to \$31.7 million or 7.1% at December 31, 2009 and \$15.3 million or 3.4% at June 30, 2009. 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. The increase in the 2010 level of potential problem loans reflects the current economic environment, the early identification of potential problem loans, a stringent assessment of potential credit weaknesses and an in depth review of individual credits. At June 30, 2010, approximately \$41.9 million of these loans are commercial real estate (CRE) loans which are current and well secured with real estate as collateral. In addition, all but \$2.1 million of the CRE loans have personal guarantees. The remaining \$2.2 million in classified loans 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 \$223.1 million or 47.7% of the total loan portfolio at June 30, 2010 compared to \$204.2 million or 45.6% at December 31, 2009 and \$212.2 million or 47.5% at June 30, 2009. 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 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.

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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 in the fourth quarter of 2009. 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 June 30, 2010 and December 31, 2009, the Company had impaired loans as defined by FASB ASC No. 310,

Receivables of \$11.4 million and \$9.1 million, respectively. The increase primarily relates to one \$2.1 million relationship representing loans secured by first mortgage liens on real estate with recently appraised values aggregating \$9.3 million. 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 \$8.2 million or 1.75% of total loans at June 30, 2010 and were \$5.9 million or 1.31% of total loans at December 31, 2009. There were no loans 90 days or more past due that were still accruing at June 30, 2010 and December 31, 2009. Approximately \$4.8 million of the nonaccrual loans at June 30, 2010 and \$4.9 million of the nonaccrual loans at December 31, 2009, represent troubled debt restructured loans where the borrowers are complying with the modified terms of the loans and are currently making payments. These loans are secured with collateral that has a fair value of \$7.9 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 June 30, 2010 and December 31, 2009, 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 \$241,000 of interest income has been recognized.

The average recorded investment in the impaired loans during the six months ended June 30, 2010 was \$11.5 million and was \$7.4 million for the year ended December 31, 2009. At June 30, 2010, 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 amount of the allowance for loan losses allocated to impaired loans as of June 30, 2010 and December 31, 2009 was \$7,000 and \$50,000, respectively.

The Bank had no foreclosed real estate at June 30, 2010, December 31, 2009 and June 30, 2009, respectively.

The following table sets forth impaired loans by loan type:

	June 30, 2010	December 31, 2009
(In thousands)		
Nonaccrual Loans:		
Commercial real estate mortgage loans	\$ 2,044	\$ 324
Residential real estate mortgage loans	697	511
Commercial, financial & agricultural loans	639	61
Installment/consumer loans	5	105
Real estate construction and land loans		
Total	3,385	1,001

Restructured Loans:		
Commercial real estate mortgage loans	3,229	3,229
Residential real estate mortgage loans	2,080	2,120
Commercial, financial & agricultural loans		
Installment/consumer loans		
Real estate construction and land loans	2,728	2,770
Total	8,037	8,119
Total Impaired Loans	\$ 11,422	\$ 9,120

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Restructured loans totaled \$8.0 million as of June 30, 2010, of which \$4.8 million of the restructured loans were nonaccrual as of June 30, 2010.

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 and \$2.0 million was recorded during the three and six months ended June 30, 2010 compared to a provision for loan loss of \$1.4 million and \$2.3 million that was recorded during the same periods in 2009. The Bank recognized net charge-offs in the amount of \$0.6 million for the six months ended June 30, 2010 as compared to \$1.2 million for the same period in 2009. The allowance for loan losses increased to \$7.4 million at June 30, 2010, as compared to \$6.0 million at December 31, 2009 and \$5.0 million at June 30, 2009. As a percentage of total loans, the allowance increased to 1.59% at June 30, 2010 compared to 1.35% at December 31, 2009 and 1.12% at June 30, 2009. 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.

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

	For the Six Months Ended June 30, 2010	For the Year Ended December 31, 2009
(Dollars in thousands)		
Allowance for loan losses balance at beginning of period	\$ 6,045	\$ 3,953
Charge-offs:		
Commercial real estate mortgage loans		47
Residential real estate mortgage loans	20	653
Commercial, financial & agricultural loans	489	1,098
Installment/consumer loans	124	55
Real estate construction and land loans		240
Total	633	2,093
Recoveries:		
Commercial real estate mortgage loans		
Residential real estate mortgage loans	2	6
Commercial, financial & agricultural loans	4	28
Installment/consumer loans	13	1
Real estate construction and land loans		
Total	19	35
Net charge-offs	(614)	(2,058)
Provision for loan losses charged to operations	2,000	4,150
Balance at end of period	\$ 7,431	\$ 6,045
Ratio of net charge-offs during period to average loans outstanding	(0.14%)	(0.47%)

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

	June 30, 2010		December 31, 2009	
	Amount	Percentage of Loans to Total Loans	Amount	Percentage of Loans to Total Loans
(Dollars in thousands)				
Commercial real estate mortgage loans	\$ 2,873	47.7%	\$ 2,759	45.6%
Residential real estate mortgage loans	1,545	27.2	1,905	27.5
Commercial, financial & agricultural loans	2,758	20.4	1,083	20.9
Installment/consumer loans	238	1.6	270	1.7
Real estate construction and land loans	17	3.1	28	4.3
Total	\$ 7,431	100.0%	\$ 6,045	100.0%

Table of Contents***Non Interest Income***

Total non interest income increased \$0.1 million or 5.4% to \$2.0 million for the three months ended June 30, 2010 compared to \$1.9 million for the same period in 2009. Net securities gains were \$0.4 million for the three months ended June 30, 2010 compared to \$0.5 million for the same period last year. Service charges on deposit accounts remained at \$0.8 million for the three months ended June 30, 2010 and 2009, respectively. Fees for other customer services were \$0.5 million for the three months ended June 30, 2010 compared to \$0.4 million in 2009. Title fee income related to Bridge Abstract increased \$165,000 or 107.8% to \$318,000 for the three months ended June 30, 2010 compared to \$153,000 for the same period in 2009. The increase was attributable to an increase in the number and value of transactions processed. Other Operating Income decreased \$9,000 or 39.1% to \$14,000 for the three months ended June 30, 2010 compared to \$23,000 for the same period last year.

Total non interest income increased \$1.1 million or 36.3% to \$4.2 million during the six months ended June 30, 2010 compared to \$3.1 from the same period last year. Net securities gains were \$1.3 million for the six months ended June 30, 2010 compared to \$0.5 million for the six months ended June 30, 2009. Service charges on deposit accounts totaled \$1.4 million and fees for other customer services totaled \$0.9 million for the six months ended June 30, 2010, compared to \$1.4 million and \$0.7 million, respectively, from the same period in 2009. Bridge Abstract, the Bank's title insurance abstract subsidiary, generated title fee income of \$0.6 million during the six months ended June 30, 2010 compared to \$0.4 million for the same period in 2009. The increase was attributable to an increase in the number and value of transactions processed. Other operating income for the six months ended June 30, 2010 totaled \$72,000, an increase of \$33,000 from \$39,000 for the six months ended June 30, 2009.

Non Interest Expense

Total non interest expense increased \$0.5 million or 8.5% to \$7.0 million during the three months ended June 30, 2010 over the same period in 2009. The primary components of these increases were higher salaries and employee benefits, net occupancy expense, furniture and fixture expense, and other operating expenses. Salary and benefit expense increased \$0.5 million or 14.1% to \$4.0 million for the three months ended June 30, 2010 from \$3.5 million for the same period in 2009. 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 30.2% to \$0.7 million for the three months ended June 30, 2010 from \$0.6 million for the same period in 2009. Higher net occupancy expenses were due to increases in maintenance and supplies, and rent expense related to the new branch offices in 2010 as well as annual rent increases in other branch locations. Furniture and fixture expense increased \$45,000 or 17.8% to \$298,000 for the three months ended June 30, 2010 from \$253,000 for the same period in 2009 related primarily to the new branches. FDIC assessments decreased \$0.4 million or 58.7% to \$0.3 million for the three months ended June 30, 2010 compared to \$0.7 million for the same period last year. During the second quarter of 2009, the Company recorded an expense of \$375,000 related to the FDIC special assessment. Other operating expenses increased \$0.2 million or 16.4% to \$1.7 million for the three months ended June 30, 2010 compared to \$1.5 million for the same period in 2009 primarily related to marketing expenses for the new branches and the 100th anniversary of the Bank.

Total non interest expense increased \$1.1 million or 8.5% to \$13.6 million during the six months ended June 30, 2010 from \$12.5 million for the same period in 2009. The primary components of these increases were higher salaries and employee benefits, net occupancy expense, furniture and fixture expenses, and other operating expenses. Salary and benefit expense increased \$0.7 million or 10.1% to \$7.8 million for the six months ended June 30, 2010 from \$7.1 million for the same period in 2009. The increases in salary and benefits reflect base salary increases for staff, filling vacant positions, hiring new employees to support the Company's expanding infrastructure and new branch offices, and an increase in employee benefit costs, particularly related to pension expense. Net occupancy expense increased \$0.3 million or 24.6% to \$1.4 million for the six months ended June 30, 2010 from \$1.1 million for the same period in 2009. Higher net occupancy expenses were due to increases in maintenance and supplies, and rent expense related to the new branch offices in 2010 as well as annual rent increases in other branch locations. Furniture and fixture expense increased \$0.1 million or 21.3% to \$0.6 million for the six months ended June 30, 2010 from \$0.5 million for the same period in 2009. The increase in furniture and fixture expense in 2010 relates primarily to the new branches. FDIC assessments decreased \$0.4 million to \$0.6 million for the six months ended June 30, 2010 from

\$1.0 million for the same period in 2009. During the second quarter of 2009, the Company recorded an expense of \$375,000 related to the FDIC special assessment. Other operating expenses increased \$0.3 million or 12.0% to \$3.2 million for the six months ended June 30, 2010 compared to \$2.9 million for the same period in 2009 primarily related to marketing expenses for the new branches and the 100th anniversary of the Bank.

Income Taxes

The provision for income taxes remained the same at \$1.0 million during the three months ended June 30, 2010 and the same period last year. The effective tax rate for the three months ended June 30, 2010 decreased to 31.5% from 32.7% for the same period last year. For the six months ended June 30, 2010 and 2009, the provision for income taxes remained at \$2.0 million. The effective tax rate for the six months ended June 30, 2010 decreased to 31.8% from 32.6% for the same period in 2009.

Table of Contents***Financial Condition***

Assets totaled \$972.7 million at June 30, 2010, an increase of \$75.5 million or 8.4% from \$897.3 million at December 31, 2009. This change is primarily a result of an increase in net loans of \$19.2 million or 4.4% as well as an increase in total securities of \$60.9 million or 15.9% partially offset by a decrease of \$3.8 million in total cash and cash equivalents. Cash and due from banks decreased \$10.8 million and interest earnings deposits with banks increased \$7.0 million. Total deposits grew \$66.0 million to \$859.5 million at June 30, 2010, compared to \$793.5 million at December 31, 2009. Demand deposits increased \$38.8 million to \$250.9 million compared to \$212.1 million at December 31, 2009. Savings, NOW and money market deposits increased \$13.0 million to \$453.5 million at June 30, 2010 from \$440.4 million at December 31, 2009. Certificates of deposit of \$100,000 or more and other time deposits increased \$14.1 million or 10.0% to \$155.1 million compared to \$141.0 million at December 31, 2009. Accrued interest payable increased \$41,000 to \$0.6 million at June 30, 2010 compared to \$0.5 million at December 31, 2009. Other liabilities and accrued expenses increased \$4.9 million to \$15.2 million at June 30, 2010 from \$10.3 million at December 31, 2009, primarily related to \$4.2 million in purchases of municipal securities which settled in July 2010. Total stockholders' equity was \$64.7 million at June 30, 2010, an increase of \$2.8 million or 4.6% from December 31, 2009, primarily due to net income of \$4.4 million and partially offset by the declaration of dividends totaling \$2.9 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 \$5.9 million as of June 30, 2010, 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 six months ended June 30, 2010, the Bank paid a cash dividend to the Company in the amount of \$1.7 million. At June 30, 2010, the Bank had \$13.4 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 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 June 30, 2010, the Bank had aggregate lines of credit of \$217.5 million with unaffiliated correspondent banks to provide short term credit for liquidity requirements. Of these aggregate lines of credit, \$197.5 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 June 30, 2010 and December 31, 2009, the Bank had no brokered certificates of deposit. There were no overnight borrowings as of June 30, 2010 and December 31, 2009. The Bank had \$16.8 million of securities sold under agreements to repurchase outstanding as of June 30, 2010 and \$15.0 million of securities sold under agreements to repurchase outstanding as of December 31, 2009. There were no advances outstanding as of June 30, 2010 and December 31, 2009 with the FHLB.

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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 \$13.4 million at the Federal Reserve as of June 30, 2010 and \$6.9 million as of December 31, 2009. The Bank did not have overnight federal funds sold as of June 30, 2010 or December 31, 2009.

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 June 30, 2010, 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. 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 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 June 30, 2010 and December 31, 2009, actual capital levels and minimum required levels for the Company and the Bank were as follows:

Bridge Bancorp, Inc. (Consolidated)**As of June 30,****(Dollars in thousands)**

	2010				To Be Well Capitalized Under Prompt Corrective Action Provisions	
	For Capital Adequacy Purposes					
	Actual Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$83,800	14.5%	\$46,195	8.0%	n/a	n/a

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Tier 1 Capital (to risk weighted assets)	76,579	13.3%	23,097	4.0%	n/a	n/a
Tier 1 Capital (to average assets)	76,579	8.1%	37,646	4.0%	n/a	n/a

As of December 31,
(Dollars in thousands)

2009

For Capital

Adequacy

To Be Well
Capitalized
Under
Prompt
Corrective
Action
Provisions

	Actual		Purposes			
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$80,378	14.5%	\$44,361	8.0%	n/a	n/a
Tier 1 Capital (to risk weighted assets)	74,333	13.4%	22,180	4.0%	n/a	n/a
Tier 1 Capital (to average assets)	74,333	8.6%	34,499	4.0%	n/a	n/a

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As of June 30,

(Dollars in thousands)

	2010					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$78,957	13.7%	\$46,151	8.0%	\$57,689	10.0%
Tier 1 Capital (to risk weighted assets)	71,743	12.4%	23,075	4.0%	34,613	6.0%
Tier 1 Capital (to average assets)	71,743	7.6%	37,626	4.0%	47,033	5.0%

As of December 31,

(Dollars in thousands)

	2009					
	Actual		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)	\$74,191	13.4%	\$44,337	8.0%	\$55,421	10.0%
Tier 1 Capital (to risk weighted assets)	68,146	12.3%	22,168	4.0%	33,253	6.0%
Tier 1 Capital (to average assets)	68,146	7.9%	34,494	4.0%	43,117	5.0%

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 June 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-16 *Accounting for Transfers of Financial Assets*. This standard improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. This Statement must be applied to transfers occurring on or after the effective date. Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. Additionally, the disclosure provisions of this Statement should be applied to transfers that occurred both before and

after the effective date of this Statement. The adoption of this Statement did not have a significant impact to the Company's financial statements.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05, *Measuring Liabilities at Fair Value*", which is codified as ASC 820, *Fair Value Measurements and Disclosures*". This Update provides amendments to Topic 820-10, Fair Value Measurements and Disclosures. Overall, for the fair value measurement of liabilities. This Update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using a valuation technique that uses the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities when traded as assets, or that is consistent with the principles of Topic 820. The amendments in this Update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents transfer of the liability. The amendments in this Update also clarify that both a quoted price in an active market for the identical liability at the measurement date

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and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance provided in this Update is effective for the first reporting period (including interim periods) beginning after issuance. The adoption of this Update did not have a significant impact to the Company's financial statements.

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 June 30, 2010, \$400.5 million or 89.9% 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 also could 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 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 June 30, 2010:

	June 30, 2010	December 31, 2009
Change in Interest	Potential Change	Potential Change

Rates in Basis Points (Dollars in thousands)	in Net		in Net	
	Interest Income		Interest Income	
	\$ Change	% Change	\$ Change	% Change
200	\$ (1,102)	(3.01%)	\$ (1,243)	(3.54%)
100	\$ (411)	(1.12%)	\$ (545)	(1.55%)
Static				
(100)	\$ 127	0.35%	\$ 42	0.12%
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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 June 30, 2010. 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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There is one additional risk factor described below in addition to the factors disclosed in Item 1A., Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2009.

Financial Reform Legislation

Financial reform legislation recently enacted 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 our costs of operations.

On July 21, 2010 the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impacts of the Dodd-Frank Act may not be known for many months or years.

The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks with more than \$10 billion in assets. Banks with \$10 billion or less in assets will continue to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws.

The Dodd-Frank Act requires minimum leverage (Tier 1) and risk based capital requirements for bank and savings and loan holding companies that are no less than those applicable to banks, which will exclude certain instruments that previously have been eligible for inclusion by bank holding companies as Tier 1 capital, such as trust preferred securities (TPS). TPS issued before May 19, 2010 by a bank holding company that had total assets of less than \$15 billion as of December 31, 2009 are permanently grandfathered.

The new law provides that the Office of Thrift Supervision will cease to exist one year from the date of the new law's enactment. The Office of the Comptroller of the Currency, which is currently the primary federal regulator for national banks, will become the primary federal regulator for federal thrifts. The Board of Governors of the Federal Reserve System will supervise and regulate all savings and loan holding companies that were formerly regulated by the Office of Thrift Supervision.

Effective one year after the date of enactment is a provision of the Dodd-Frank Act that eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on our interest expense.

The Dodd-Frank Act also broadens the base for Federal Deposit Insurance Corporation deposit insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution, rather than deposits. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2012. The legislation also increases the required minimum reserve ratio for the Deposit Insurance Fund, from 1.15% to 1.35% of insured deposits, and directs the FDIC to offset the effects of increased assessments on depository institutions with less than \$10 billion in assets.

The Dodd-Frank Act will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments, and authorizes the Securities and Exchange Commission to

promulgate rules that allow stockholders to nominate their own candidates using a company's proxy materials. It also provides that the listing standards of the national securities exchanges shall require listed companies to implement and disclose clawback policies mandating the recovery of incentive compensation paid to executive officers in connection with accounting restatements. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on community banks. However, it is expected that at a minimum they will increase our operating and compliance costs and could increase our interest expense.

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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.

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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

August 5, 2010

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

August 5, 2010

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

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