BRIDGE BANCORP, INC.

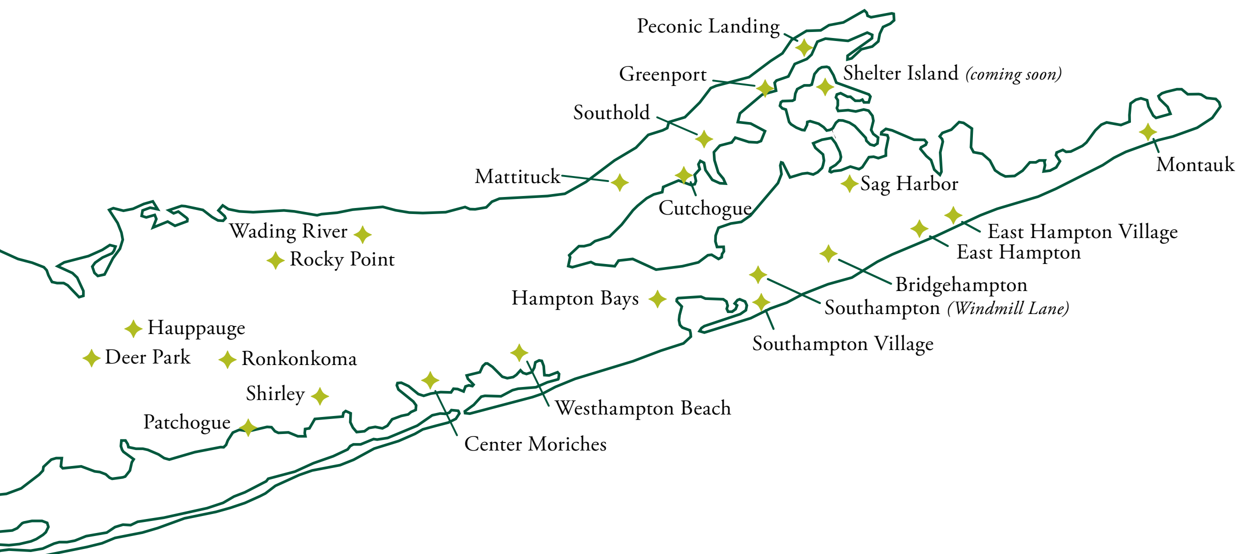
ROOTED IN THE COMMUNITY

2012 Annual Report

Bridge Bancorp, Inc., a New York corporation (NASDAQ: BDGE), is a bank holding company engaged in commercial banking and financial services through its wholly owned subsidiary, Bridgehampton National Bank (the Bank, BNB). Established in 1910 by farmers and merchants, the Bank today has approximately $1.6 billion in assets and an ongoing commitment to the tenets of community banking: developing long-term relationships with customers, offering knowledge and understanding of the local marketplace and taking an active role in making the towns and villages it serves better places to live and work. Throughout its history, BNB has established a reputation for personal service, access to decision makers and engaged involvement in the community.

A full range of products and services to businesses, consumers and municipalities is offered by BNB. Its professional team of lenders and branch managers offers flexible banking programs in partnership with customers to help meet their financial needs. Products and services include convenient technologies like online banking, online bill pay, remote deposit capture, merchant services and lockbox as well as the traditional menu of deposit and loan products. In addition, title insurance is offered through Bridge Abstract and investment counsel is provided by Bridge Investment Services.

BNB operates in markets throughout Suffolk County, Long Island from Orient Point to Wading River and from Montauk Point to Deer Park. In 2012 the Bank opened new branches in Ronkonkoma, near MacArthur Airport and in Hauppauge, bringing the total number of BNB branches to 22.

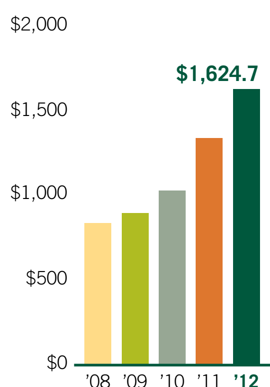


FINANCIAL HIGHLIGHTS

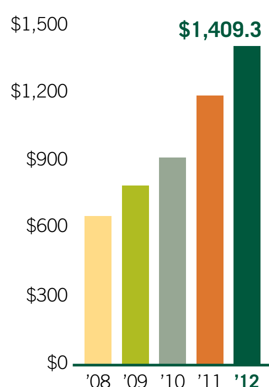
(in thousands, except per share data and financial ratios)

For the year ended December 31,	2012	2011
EARNINGS		
Net income	$ 12,772	$ 10,359
Return on average equity	11.78%	14.37%
Return on average assets	0.88%	0.88%
BALANCE SHEET		
Assets	$1,624,713	$1,337,458
Deposits	$1,409,322	$1,188,185
Loans	$ 798,446	$ 612,143
Stockholders' equity	$ 118,672	$ 106,987
PER SHARE DATA		
Diluted earnings	$ 1.48	$ 1.54
Cash dividends paid	$ 1.15	$ 0.92
Book value	$ 13.32	$ 12.82

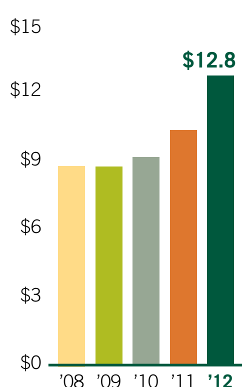
TOTAL ASSETS
(at December 31, in millions)



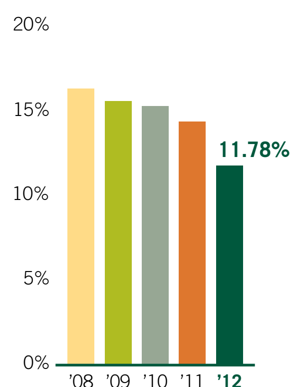
TOTAL DEPOSITS
(at December 31, in millions)



NET INCOME
(in millions)



RETURN ON AVERAGE EQUITY
(percentage)



Long Island, with its long tradition of innovation and entrepreneurship, is home to many successful companies, as well as world class education and research centers. These businesses, supported by our highly educated workforce, design, distribute and manufacture everything from high tech military items to high end windows and doors. As a century old institution catering to these businesses, BNB understands their challenges and opportunities, and the importance of the banker/customer partnership. Our success is measured by the success of our customers, as we both contribute to the growth and vitality of the Long Island economy.

FELLOW SHAREHOLDERS:

"We are privileged to operate on Long Island, an economy with a rich diversity of business, known for its entrepreneurship and innovation."

As each year ends, we contemplate our accomplishments, our challenges and our opportunities, and I look forward to sharing these reflections with you: our shareholders, customers and friends. It is a collaborative effort, as I deliberate with my colleagues. Their comments are not limited to issues affecting our Company, but also reflect events in our communities, our state and nation. We are privileged to operate on Long Island, an economy with a rich diversity of business, known for its entrepreneurship and innovation. We have witnessed the economic challenges all local businesses have faced and watched the successful ones emerge retooled and stronger. This annual message provides insight not only into our strategies, but also into the environment's impact on our current and future performance.

By most measures, 2012 continued our sustained track record of financial success, highlighted by a record level of net income, substantial growth in deposits and loans, and a continuation of dividends. Our commitment to identifying and leveraging market opportunities added a substantial number of new customers, leading to another year of double digit deposit growth. Unlike some of our competitors, we identified and funded loans for many local, credit-worthy entities, helping them invest and expand. This is the essence of community banking, where the "raw materials" of customers' deposits and shareholders' capital are reinvested back into the local community. Our loans finance buildings, equipment and inventory, allowing business operators and entrepreneurs to grow and prosper, providing the impetus for local economic expansion and job creation.

We are committed to our expansion strategy, as investments in facilities, personnel and technology have paid handsome dividends. At 102 years strong, we are one of only a handful of Long Island based community banks where decisions affecting local businesses and communities are made by local management under the direction of a local Board.

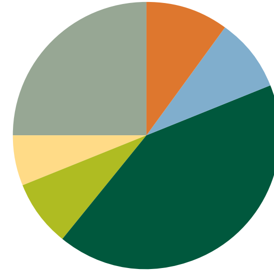
As we expand our western profile, we continue to have deep roots on the eastern end of Long Island and remain committed to the communities that provide the foundation of this organization. A substantial portion of our loans are made to businesses and individuals on the East End, and while we have opened new branches further west on Long Island, we have also reinvested in several legacy branches, most notably in Montauk, East Hampton and Southold.

Over the past five years we've opened seven branches, tripling our assets and doubling our capital. We've augmented our strong and dedicated

ROOTED IN THE COMMUNITY IN WHICH WE

INVEST

BNB invests every day in the communities it serves through its people, products and services. Loans provided to local businesses, are investments fueling growth, creating jobs. These investments increase the vibrancy of the local economy, improving the quality of life and the creation of strong neighborhoods. Our staff live and work here, and have a vested interest in their communities' success.



TOTAL LOANS BY TYPE
at December 31, 2012

Type	%
Commercial Mortgages	**42%**
Commercial Loans	**25%**
Residential & Consumer Loans	**10%**
Equity Loans	**9%**
Multifamily Loans	**8%**
Construction & Land Loans	**6%**

Average Yield 6.00%

team with the addition of experienced relationship bankers. These individuals understand the current environment and are committed to delivering personal service and a superior level of financial expertise to their customers. We often ask potential customers, "Where do you bank?" and "Who is your banker?" The "who" is by far the driving force in making a final banking decision.

Some may be skeptical of our simple strategy. While many banks pledge to deliver superior service and state of the art products, their claims are not supported by facts. We have demonstrated results, evidenced by our ability to grow profitably, attracting bankers and their customers. Positive referrals and our reputation have brought new business to our door and our commitment to the customer is a critical element of our success.

Fire Island Ferry

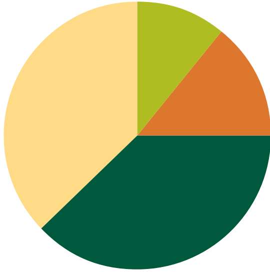
Moving forward, the entire organization needs to be involved and committed to operating in this highly regulated environment. Employees must understand the strategic vision, know their roles, and how they contribute to our collective success. We have created a challenging atmosphere that rewards employees for their accomplishments. We have been deliberate and steadfast, ensuring that our personnel, systems, policies, procedures and technology are robust enough to deal with the realities of banking in the post "Great Recession" world. The Dodd-Frank legislation alone encompasses 2,000 pages and will result in many more reams of regulations affecting all aspects of our operations.

Technology is a critical element in our efforts to maintain relevance as an industry and with our customers. However, new devices or software

Robert Moses Bridge

Thomas Ryzuk, Dart Fuel Oil Inc., Centereach, NY

ROOTED IN THE COMMUNITY IN WHICH WE WORK



TOTAL DEPOSITS BY TYPE
at December 31, 2012

Demand Deposits	**38%**
Money Markets	**37%**
Savings & NOW	**14%**
Certificates of Deposit	**11%**

Average Cost of Customer Deposits 0.45%

Community Banking is about building strong relationships, partnering with local businesses and entrepreneurs. We offer, along with traditional products and services, advice and counsel to help our customers plan and execute their strategies for growth, expansion and success. As a Long Island based community bank, BNB professionals understand the unique nature and challenges of our marketplace. This local expertise coupled with local decision making and our high level of personal service is the key to forging this successful partnership.

(with myriad passwords and security features) will never replace the personal touch of a phone call or a visit. Our new online and mobile banking platforms, coupled with a more robust and interactive website, enhance the relationships we have forged with our customers. Tomorrow's successful community bank will combine technology touch points with experienced relationship bankers, serving markets through a network of the traditional brick and mortar branches. People want to know there is a "Bank," where they bank. Growing a business is not without risks, but we believe the opportunities available today, with the displacement of many competitors and the changing landscape, are something we cannot ignore.

We also continue dealing with the fallout from the past several years of economic turmoil. While the economy appears to be improving, job creation and unemployment remain major impediments to increased consumer confidence and activity. As such, business investment has been limited, hindering robust economic growth. Existing customers are wary of expanding and credit outlooks for new customers are limited. Although the expanded regulatory environment will be challenging, we accept the new reality and will continue to take the necessary steps to succeed. We will add to staff, write new policies, and ultimately operate with higher levels of capital. These pressures will potentially dampen the industry's efficiency, increase expenses, lower profits, and decrease shareholder returns.

Perhaps the most pressing issue for all banks is the persistently low level of interest rates. In banking, we borrow from our depositors in the short term, and lend to customers for a longer

Carolyn and Stuart Feldschuh, Snowflake, Riverhead, NY

ROOTED IN THE COMMUNITY IN WHICH WE

LIVE

For over 102 years, BNB has focused on one mission—to deliver its brand of community banking to the towns and villages across Long Island. Each year, we rededicate ourselves, focusing on further strengthening the partnership between the Bank and the communities we serve. We strive to expand, improve technology and deliver new products and services, but we never lose sight of our principal mission. Our commitment is to our customers, employees and shareholders, who comprise the community this community bank serves.

term, adding a cost for credit. This difference in rates is our margin, or gross profit. Given the current lower rates, this margin has been declining and will continue to do so. With the Federal Reserve Bank using conventional and unconventional means, the risks of abrupt and significant movements in rates have been amplified. The consequences of rates increasing from these absolute low levels are both difficult to predict and manage. Certainly, longer term bonds and loans will decline in value as rates rise, and customers will require higher interest on their deposits. Another challenge will be whether consumers and businesses can sustain the higher payments required, when their borrowing rates increase. Increases in rates will affect every bank's ability to manage its net interest margin and income over time.

While our challenges are many, we believe we have established a foundation and platform for continued success. We continually reassess our strengths, recognize opportunities and monitor our challenges. I remain impressed by our staff's commitment and genuine passion for serving their customers, and am grateful to our strong Board of Directors, who share our vision and support our mission. We remain committed to the critical role of a community bank, where personal contact and local decisions create partnerships. The successful community bank is both supported *by* and a support *to* its community. In the end, our success is the result of collective achievement—when we succeed, we succeed together.

Sincerely,

Kevin M. O'Connor
President and Chief Executive Officer

i-tri Triathalon participants in East Hampton with BNB Lending Officer and i-tri board member, Gisella Recalde.

CORPORATE INFORMATION

BRIDGE BANCORP, INC.

BOARD OF DIRECTORS

Marcia Z. Hefter
Chairperson

Dennis A. Suskind
Vice Chairperson

Kevin M. O'Connor
Emanuel Arturi
Antonia M. Donohue
Charles I. Massoud
Albert E. McCoy, Jr.
Howard H. Nolan, CPA
Rudolph J. Santoro
Thomas J. Tobin

COMPANY OFFICERS

Kevin M. O'Connor
President and Chief Executive Officer

Howard H. Nolan, CPA
Sr. Executive Vice President,
Chief Financial Officer and
Corporate Secretary

BRIDGEHAMPTON NATIONAL BANK

EXECUTIVE OFFICERS

Kevin M. O'Connor
President and Chief Executive Officer

Howard H. Nolan, CPA
Senior Executive Vice President,
Chief Administrative and
Financial Officer

James J. Manseau
Executive Vice President,
Chief Retail Banking Officer

Kevin L. Santacroce
Executive Vice President,
Chief Lending Officer

SENIOR VICE PRESIDENTS

Seamus J. Doyle
Nancy Foster
Patricia F. Horan
John M. McCaffery
Deborah McGrory
Stephen Sheridan
Thomas H. Simson
John P. Vivona
Joseph Walsh
Aidan P. Wood

VICE PRESIDENTS

Sharon Abbondondelo
William Araneo
Steven Bodziner
Edward Burger
Lance P. Burke
Kimberly Cioch
Deborah Cosgrove
Michelle Dosch
Michael Fearon
Beth Flanagan
Maria M. Fontana
Peter M. Gajda
Stanley Glinka
Michael V. Hadix
Maureen Hines
Patricia Liotta
John B. MacCulley
Theresa Mackey
Norma Marx
Marie A. McAlary
Margaret B. Meighan
Robert P. Mensing
Nancy Messer
William J. Newham, III
Corrine Newman
Deborah Orlowski
Claudia Pilato
Sarah Quinn, CPA
Philip Rinaldi
Ann Marie Roberts
Keith Robertson
Stephanie Saggio
Raymond Sanchez
Susan G. Schaefer
Thomas Sullivan
Dawn M. Turnbull
Donna Wetjen

INVESTOR RELATIONS

Exchange: NASDAQ®
Symbol: BDGE

Howard H. Nolan, CPA
Senior Executive Vice President and
Corporate Secretary
2200 Montauk Highway
P.O. Box 3005
Bridgehampton, NY 11932
631.537.1000
hnolan@bridgenb.com

Shareholders seeking information about the Company may access presentations, press releases and government filings through the Bank's website: www.bridgenb.com.

STOCK TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Co.
10 Commerce Drive
Cranford, NJ 07016
800.368.5948
www.rtco.com

Shareholders that would like to make changes to the name, address or ownership of their stock, consolidate accounts, eliminate duplicate mailings, or replace lost certificates or dividend checks, should contact Registrar and Transfer Co.

SECURITIES COUNSEL

Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, NW
Suite 780
Washington, DC 20015-2035

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders is scheduled for 11:00 a.m. on Friday, May 3, 2013 in the Community Room, Bridgehampton National Bank, 2200 Montauk Highway, Bridgehampton, NY 11932.

Annual Report Design by Curran & Connors, Inc. / www.curran-connors.com
Photography by Jim Lennon

2200 Montauk Highway
P.O. Box 3005
Bridgehampton, New York 11932
631.537.1000
www.bridgenb.com

BRIDGEHAMPTON NATIONAL BANK BRANCHES

Bridgehampton
631.537.8834

Center Moriches
631.909.4990

Cutchogue
631.734.5002

Deer Park
631.392.1301

East Hampton
631.324.8480

East Hampton Village
631.324.8481

Greenport
631.477.0220

Hampton Bays
631.728.9041

Hauppauge
631.909.7500

Mattituck
631.298.0190

Montauk
631.668.6400

Patchogue
631.923.1495

Peconic Landing
(Greenport)
631.477.8150

Rocky Point
631.886.0002

Ronkonkoma
631.940.1470

Sag Harbor
631.725.6622

Shirley
631.281.1245

Southampton Village
631.287.6504

Southampton, Windmill Lane
631.287.9500

Southold
631.765.1500

Wading River
631.929.4250

Westhampton Beach
631.288.7756

BRIDGE ABSTRACT LLC

2200 Montauk Highway
P.O. Box 3031
Bridgehampton, NY 11932
631.537.5750
www.bridgeabstractllc.com

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012 Commission File No. 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

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value of $0.01 Per Share	The Nasdaq Stock Market, LLC

Securities registered pursuant to Section 12 (g) of the Act:

(Title of Class)
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) of this chapter is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☐ Smaller reporting company ☐

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

The approximate aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing price of the Common Stock on June 30, 2012, was $191,463,050.

The number of shares of the Registrant's common stock outstanding on March 11, 2013 was 8,974,740.

Portions of the following documents are incorporated into the Parts of this Report on Form 10-K indicated below:

The Registrant's definitive Proxy Statement for the 2012 Annual Meeting to be filed pursuant to Regulation 14A on or before April 30, 2013 (Part III).

TABLE OF CONTENTS

PART I

Item 1	Business	1
Item 1A	Risk Factors	7
Item 1B	Unresolved Staff Comments	11
Item 2	Properties	11
Item 3	Legal Proceedings	11
Item 4	Mine Safety Disclosures	11

PART II

Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	11
Item 6	Selected Financial Data	14
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	34
Item 8	Financial Statements and Supplementary Data	36
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	80
Item 9A	Controls and Procedures	80
Item 9B	Other Information	80

PART III

Item 10	Directors, Executive Officers and Corporate Governance	80
Item 11	Executive Compensation	80
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	81
Item 13	Certain Relationships and Related Transactions, and Director Independence	81
Item 14	Principal Accountant Fees and Services	81

PART IV

Item 15	Exhibits and Financial Statement Schedules	81

SIGNATURES 82

EXHIBIT INDEX 83

PART I

Item 1. Business

Bridge Bancorp, Inc. (the "Registrant" or "Company") is a registered bank holding company for The Bridgehampton National Bank (the "Bank"). The Bank was established in 1910 as a national banking association and is headquartered in Bridgehampton, New York. The Registrant was incorporated under the laws of the State of New York in 1988, at the direction of the Board of Directors of the Bank for the purpose of becoming a bank holding company pursuant to a plan of reorganization under which the former shareholders of the Bank became the shareholders of the Company. Since commencing business in March 1989, after the reorganization, the Registrant has functioned primarily as the holder of all of the Bank's common stock. In May 1999, the Bank established a real estate investment trust subsidiary, Bridgehampton Community, Inc. ("BCI"), as an operating subsidiary. The assets transferred to BCI are viewed by the bank regulators as part of the Bank's assets in consolidation. The operations of the Bank also include Bridge Abstract LLC ("Bridge Abstract"), a wholly owned subsidiary of the Bank, which is a broker of title insurance services. In October 2009, the Company formed Bridge Statutory Capital Trust II (the "Trust") as a subsidiary, which sold $16.0 million of 8.5% cumulative convertible Trust Preferred Securities (the "Trust Preferred Securities") in a private placement to accredited investors.

The Bank operates twenty two branches on eastern Long Island. Federally chartered in 1910, the Bank was founded by local farmers and merchants. For a century, the Bank has maintained its focus on building customer relationships in this market area. The mission of the Company is to grow through the provision of exceptional service to its customers, its employees, and the community. The Company strives to achieve excellence in financial performance and build long term shareholder value. The Bank engages in full service commercial and consumer banking business, including accepting time, savings and demand deposits from the consumers, businesses and local municipalities surrounding its branch offices. These deposits, together with funds generated from operations and borrowings, are invested primarily in: (1) commercial real estate loans; (2) home equity loans; (3) construction loans; (4) residential mortgage loans; (5) secured and unsecured commercial and consumer loans; (6) FHLB, FNMA, GNMA and FHLMC and non agency mortgage-backed securities, collateralized mortgage obligations and other asset backed securities; (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.

The Bank employs 257 people on a full-time and part-time basis. The Bank provides a variety of employment benefits and considers its relationship with its employees to be positive. In addition, the Company maintains equity incentive plans under which it may issue shares of common stock of the Company.

All phases of the Bank's business are highly competitive. The Bank faces direct competition from a significant number of financial institutions operating in its market area, many with a statewide or regional presence, and in some cases, a national presence. There is also competition for banking business from competitors outside of its market areas. Most of these competitors are significantly larger than the Bank, and therefore have greater financial and marketing resources and lending limits than those of the Bank. The fixed cost of regulatory compliance remains high for community banks as compared to their larger competitors that are able to achieve economies of scale. The Bank considers its major competition to be local commercial banks as well as other commercial banks with branches in the Bank's market area. Other competitors include savings banks, credit unions, mortgage brokers and financial services firms other than financial institutions such as investment and insurance companies. Increased competition within the Bank's market areas may limit growth and profitability. Additionally, as the Bank's market area expands westward, competitive pressure in new markets is expected to be strong. The title insurance abstract subsidiary also faces competition from other title insurance brokers as well as directly from the companies that underwrite title insurance. In New York State, title insurance is obtained on most transfers of real estate and mortgage transactions.

The Bank's principal market area is located in Suffolk County, New York. Suffolk County is located on the eastern portion of Long Island and has a population of approximately 1.5 million. Eastern Long Island is semi-rural. Surrounded by water and including the Hamptons and North Fork, the region is a recreational destination for the New York metropolitan area, and a highly regarded resort locale world-wide. While the local economy flourishes in the summer months as a result of the influx of tourists and second homeowners, the year-round population has grown considerably in recent years, resulting in a reduction of the seasonal fluctuations in the economy. Industries represented in the marketplace include retail establishments; construction and trades; restaurants and bars; lodging and recreation; professional entities; real estate; health services; passenger transportation; and agricultural and related businesses. During the last decade, the Long Island wine industry has grown with an increasing number of new wineries and vineyards locating in the region each year. The vast majority of businesses are considered small businesses employing fewer than ten full-time employees. In recent years, more national chains have opened retail stores within the villages on the north and south forks of the island. Major employers in the region include the municipalities, school districts, hospitals, and financial institutions.

Since 2008, the Bank has opened seven new branches. In 2009, the Bank opened two new branches in Shirley and in the Village of East Hampton, New York. During 2010, the Bank opened three new branches located in Center Moriches, Patchogue and Deer Park, New York. In November 2010, the Bank relocated its branch at 26 Park Place, East Hampton, New York to 55 Main Street, East Hampton, New York. In June 2012, the Bank opened a new branch in Ronkonkoma, New York. This location's proximity to MacArthur Airport complements the Patchogue branch and extends the Bank's reach into the Bohemia market. In late December 2012, the Bank opened a new branch and administrative offices in Hauppauge, New York. The recent branch openings move the Bank geographically westward and demonstrate its commitment to traditional growth through branch expansion. In May 2011, the Bank acquired Hamptons State Bank ("HSB") which increased the Bank's presence in an existing market with a branch located in the Village of Southampton. In July 2011, the Bank converted the former HSB customers to its core operating system. Management spent considerable time ensuring the transition progressed smoothly for HSB's former customers and shareholders. Management has demonstrated its ability to successfully integrate the former HSB customers and achieve expected cost savings while continuing to execute its business strategy. Management will continue to seek opportunities to expand its reach into other contiguous markets by network expansion, or through the addition of professionals with established customer relationships.

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 and continued focus on placing our customers first. Plans for 2013 include a new internet banking platform and mobile banking products.

The Company, the Bank and its subsidiaries with the exception of the real estate investment trust, which files its own federal and state income tax returns, report their income on a consolidated basis using the accrual method of accounting and are subject to federal and state income taxation. In general, banks are subject to federal income tax in the same manner as other corporations. However, gains and losses realized by banks from the sale of available for sale securities are generally treated as ordinary income, rather than capital gains or losses. The Bank is subject to the New York State Franchise Tax on Banking Corporations based on certain criteria. The taxation of net income is similar to federal taxable income subject to certain modifications.

REGULATION AND SUPERVISION

The Bridgehampton National Bank

The Bank is a national bank organized under the laws of the United States of America. The lending, investment, and other business operations of the Bank are governed by federal law and regulations and the Bank is prohibited from engaging in any operations not specifically authorized by such laws and regulations. The Bank is subject to extensive regulation by the Office of the Comptroller of the Currency ("OCC") and to a lesser extent by the Federal Deposit Insurance Corporation ("FDIC"), as its deposit insurer as well as by the Board of Governors of the Federal Reserve System. The Bank's deposit accounts are insured up to applicable limits by the FDIC under its Deposit Insurance Fund ("DIF"). A summary of the primary laws and regulations that govern the operations of the Bank are set forth below.

Loans and Investments

There are no restrictions on the type of loans a national bank can originate and/or purchase. However, OCC regulations govern the Bank's investment authority. Generally, a national bank is prohibited from investing in corporate equity securities for its own account. Under OCC regulations, a national bank may invest in investment securities, which is generally defined as securities in the form of a note, bond or debenture. The OCC classifies investment securities into five different types and, depending on its type, a national bank may have the authority to deal in and underwrite the security. The OCC has also permitted national banks to purchase certain noninvestment grade securities that can be reclassified and underwritten as loans.

Lending Standards

The federal banking agencies adopted uniform regulations prescribing standards for extensions of credit that are secured by liens on interests in real estate or made for the purpose of financing the construction of a building or other improvements to real estate. Under these regulations, all insured depository institutions, such as the Bank, must adopt and maintain written policies that establish appropriate limits and standards for extensions of credit that are secured by liens or interests in real estate or are made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. The real estate lending policies must reflect consideration of the Interagency Guidelines for Real Estate Lending Policies that have been adopted by the federal bank regulators.

Federal Deposit Insurance

The Bank is a member of the DIF, which is administered by the FDIC. Deposit accounts at the Bank are insured by the FDIC. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the deposit insurance available on all deposit accounts to $250,000. In addition, certain non-interest bearing transaction accounts had unlimited deposit insurance through December 31, 2012. Refer to Item 1A. Risk Factors for more detailed information related to this new regulation.

Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors, with less risky institutions paying lower assessments. An institution's rate depends upon the category to which it is assigned, and certain adjustments specified by FDIC regulations. Assessment rates, as adjusted, previously ranged from seven to 77.5 basis points of assessable deposits. No institution may pay a dividend if in default of the federal deposit insurance assessment. In May 2009, the FDIC issued a final rule to impose an emergency special assessment of 5 basis points on all banks based on their total assets less tier one capital as of June 30, 2009. The special assessment was payable on September 30, 2009. During the second quarter of 2009, the Company recorded an expense of $0.4 million related to the FDIC special assessment. On November 12, 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 $3.8 million which was amortized to expense over three years. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed by the President. Section 331(b) of the Dodd-Frank Act required the FDIC to change the definition of the assessment base which assessment fees are determined. The new definition for the assessment base is the average consolidated total assets of the insured depository institution less the average tangible equity of the insured depository institution, rather than deposits. The new methodology became effective on April 1, 2011 and the Company recorded a reduction in its FDIC assessment fees of $0.4 million during 2011 compared to 2010. The new financial reform legislation created a new Consumer Financial Protection Bureau, tightened capital standards and resulted in new laws and regulations that are expected to increase the cost of operations. Refer to Item 1A. Risk Factors for more detailed information related to this new regulation.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of any practice, condition or violation that might lead to termination of deposit insurance.

In addition to the FDIC assessments, the Financing Corporation (FICO) is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO are due to mature in 2017 through 2019. For the quarter ended December 31, 2012, the annualized FICO assessment was equal to 0.64 basis points of average consolidated total assets less average tangible equity.

Capitalization

Under OCC regulations, all national banks are required to comply with minimum capital requirements. For an institution determined by the OCC to not be anticipating or experiencing significant growth and to be, in general, a strong banking organization, rated composite 1 under the Uniform Financial Institutions Ranking System established by the Federal Financial Institutions Examination Council, the minimum capital leverage requirement is a ratio of Tier I capital to total assets of 3%. For all other institutions, the minimum leverage capital ratio is not less than 4%. Tier I capital is the sum of common shareholders' equity, non-cumulative perpetual preferred stock (including any related surplus) and minority investments in certain subsidiaries, less intangible assets (except for certain servicing rights and credit card relationships) and certain other specified items.

The OCC regulations require national banks to maintain certain levels of regulatory capital in relation to regulatory risk-weighted assets. The ratio of regulatory capital to regulatory risk-weighted assets is referred to as a bank's "risk-based capital ratio." Risk-based capital ratios are determined by allocating assets and specified off-balance sheet items (including recourse obligations, direct credit substitutes and residual interests) to four risk-weighted categories ranging from 0% to 100%, with higher levels of capital being required for the categories perceived as representing greater risk. For example, under the OCC's risk-weighting system, cash and securities backed by the full faith and credit of the U.S. government are given a 0% risk weight, loans secured by one-to-four family residential properties generally have a 50% risk weight, and commercial loans have a risk weighting of 100%.

National banks, such as the Bank, must maintain a minimum ratio of total capital to risk-weighted assets of at least 8%, of which at least one-half must be Tier I capital. Total capital consists of Tier I capital plus Tier 2 or supplementary capital items, which include allowances for loan losses in an amount of up to 1.25% of risk-weighted assets, cumulative preferred stock and certain other capital instruments, and a portion of the net unrealized gain on equity securities. The includable amount of Tier 2 capital cannot exceed the amount of the institution's Tier I capital. Banks that engage in specified levels of trading activities are subject to adjustments in their risk based capital calculation to ensure the maintenance of sufficient capital to support market risk.

The OCC, along with the other federal banking agencies, has adopted a regulation providing that the agencies will take into account the exposure of a bank's capital and economic value to changes in interest rate risk in assessing a bank's capital adequacy. The OCC also has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution's capital level is, or is likely to become, inadequate in light of the particular circumstances.

On June 6, 2012, the OCC and the other federal bank regulatory agencies issued a series of proposed rules that would revise their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The proposed rules would apply to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more and top-tier savings and loan holding companies. Among other things, the proposed rules would establish a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets) and a higher minimum Tier 1 capital to risk-based assets requirement (6% of risk-weighted assets) and assign higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real property. The proposed rules would also require unrealized gains and losses on certain securities holdings to be included for purposes of calculating regulatory capital requirements. The proposed rules would limit a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of a specified amount of common equity Tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. The proposed rules indicated that the final rules would become effective on January 1, 2013, and the changes set forth in the final rules will be phased in from January 1, 2013 through January 1, 2019. However, the agencies subsequently indicated that, due to the volume of public comments received, the final rule has been delayed past January 1, 2013.

Safety and Soundness Standards

Each federal banking agency, including the OCC, has adopted guidelines establishing general standards relating to internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal shareholder.

On February 7, 2011, the FDIC approved a rulemaking to implement Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that prohibits incentive-based compensation that encourages inappropriate risk taking.

Prompt Corrective Regulatory Action

Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to institutions that do not meet minimum capital requirements. For these purposes, the statute establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The OCC may order national banks which have insufficient capital to take corrective actions. For example, a bank which is categorized as "undercapitalized" would be subject to growth limitations and would be required to submit a capital restoration plan, and a holding company that controls such a bank would be required to guarantee that the bank complies with the restoration plan. A "significantly undercapitalized" bank would be subject to additional restrictions. National banks deemed by the OCC to be "critically undercapitalized" would be subject to the appointment of a receiver or conservator.

The recently proposed rules that would increase regulatory capital standards would adjust the prompt corrective action tiers to account for the changes.

Dividends

Under federal law and applicable regulations, a national bank may generally declare a dividend, without approval from the OCC, in an amount equal to its year-to-date net income plus the prior two years' net income that is still available for dividend.

Transactions with Affiliates and Insiders

Sections 23A and 23B of the Federal Reserve Act govern transactions between a national bank and its affiliates, which includes the Company. The Federal Reserve Board has adopted Regulation W, which comprehensively implements and interprets Sections 23A and 23B, in part by codifying prior Federal Reserve Board interpretations under Sections 23A and 23B.

An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. A subsidiary of a bank that is not also a depository institution or a "financial subsidiary" under federal law is not treated as an affiliate of the bank for the purposes of Sections 23A and 23B; however, the OCC has the discretion to treat subsidiaries of a bank as affiliates on a case-

by-case basis. Sections 23A and 23B limit the extent to which a bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such bank's capital stock and surplus, and limit all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus. The statutory sections also require that all such transactions be on terms that are consistent with safe and sound banking practices. The term "covered transaction" includes the making of loans, purchase of assets, issuance of guarantees and other similar types of transactions. Further, most loans by a bank to any of its affiliates must be secured by collateral in amounts ranging from 100 to 130 percent of the loan amounts. In addition, any covered transaction by an association with an affiliate and any purchase of assets or services by an association from an affiliate must be on terms that are substantially the same, or at least as favorable, to the bank as those that would be provided to a non-affiliate.

A bank's loans to its executive officers, directors, any owner of more than 10% of its stock (each, an insider) and any of certain entities affiliated with any such person (an insider's related interest) are subject to the conditions and limitations imposed by Section 22(h) of the Federal Reserve Act and the FRB's Regulation O thereunder. Under these restrictions, the aggregate amount of the loans to any insider and the insider's related interests may not exceed the loans-to-one-borrower limit applicable to national banks. All loans by a bank to all insiders and insiders' related interests in the aggregate may not exceed the bank's unimpaired capital and unimpaired surplus. With certain exceptions, loans to an executive officer, other than loans for the education of the officer's children and certain loans secured by the officer's residence, may not exceed the greater of $25,000 or 2.5% of the bank's unimpaired capital and unimpaired surplus, but in no event more than $100,000. Regulation O also requires that any proposed loan to an insider or a related interest of that insider be approved in advance by a majority of the board of directors of the bank, with any interested director not participating in the voting, if such loan, when aggregated with any existing loans to that insider and the insider's related interests, would exceed either $500,000 or the greater of $25,000 or 5% of the bank's unimpaired capital and surplus. Generally, such loans must be made on substantially the same terms as, and follow credit underwriting procedures that are no less stringent than, those that are prevailing at the time for comparable transactions with other persons and must not present more than a normal risk of collectibility. An exception is made for extensions of credit made pursuant to a benefit or compensation plan of a bank that is widely available to employees of the bank and that does not give any preference to insiders of the bank over other employees of the bank.

Examinations and Assessments

The Bank is required to file periodic reports with and is subject to periodic examination by the OCC. Federal regulations generally require annual on-site examinations for all depository institutions and annual audits by independent public accountants for all insured institutions. The Bank is required to pay an annual assessment to the OCC to fund its supervision.

Community Reinvestment Act

Under the Community Reinvestment Act ("CRA"), the Bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OCC in connection with its examination of the Bank, to assess its record of meeting the credit needs of its community and to take that record into account in its evaluation of certain applications by the Bank. For example, the regulations specify that a bank's CRA performance will be considered in its expansion (e.g., branching) proposals and may be the basis for approving, denying or conditioning the approval of an application. As of the date of its most recent regulatory examination, the Bank was rated "satisfactory" with respect to its CRA compliance.

USA PATRIOT Act

The USA PATRIOT Act of 2001 gave the federal government new powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. The USA PATRIOT Act also required the federal banking agencies to take into consideration the effectiveness of controls designed to combat money laundering activities in determining whether to approve a merger or other acquisition application of a member institution. Accordingly, if the Bank engages in a merger or other acquisition, our controls designed to combat money laundering would be considered as part of the application process. The Bank has established policies, procedures and systems designed to comply with these regulations.

Bridge Bancorp, Inc.

The Company, as a bank holding company controlling the Bank, is subject to the Bank Holding Company Act of 1956, as amended ("BHCA"), and the rules and regulations of the Federal Reserve Board under the BHCA applicable to bank holding companies. The Company is required to file reports with, and otherwise comply with the rules and regulations of the Federal Reserve Board.

The Federal Reserve Board has adopted consolidated capital adequacy guidelines for bank holding structured similarly, but not identically, to those of the OCC for the Bank. As of December 31, 2012, the Company's total capital and Tier 1 capital ratios exceeded these minimum capital requirements. The Dodd-Frank Act directs the Federal Reserve Board to issue consolidated capital

requirements for depository institution holding companies that are less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. That will eliminate from Tier 1 capital the inclusion of certain instruments, such as trust preferred securities, that are currently includable by bank holding companies. The Dodd-Frank Act grandfathers instruments issued prior to May 19, 2010 for bank holding companies of under $15 billion in consolidated assets. The Company has issued trust preferred securities that should qualify for the grandfather. However, the previously referenced proposed capital rules would impose a phase out of ineligible securities, including trust preferred securities, over ten years and does not refer to the grandfather provision. It is, therefore, uncertain whether any final rule will incorporate the Dodd-Frank Act grandfather.

The policy of the Federal Reserve Board is that a bank holding company must serve as a source of strength to its subsidiary banks by providing capital and other support in times of distress. The Dodd-Frank Act codified the source of strength policy and requires the issuance of implementing regulations.

Under the prompt corrective action provisions of federal law, a bank holding company parent of an undercapitalized subsidiary bank is required to guarantee, within specified limits, the capital restoration plan that is required of an undercapitalized bank. If an undercapitalized bank fails to file an acceptable capital restoration plan or fails to implement an accepted plan, the Federal Reserve Board may prohibit the bank holding company parent of the undercapitalized bank from paying dividends or making any other capital distribution.

As a bank holding company, the Company is required to obtain the prior approval of the Federal Reserve Board to acquire more than 5% of a class of voting securities of any additional bank or bank holding company or to acquire all, or substantially all, the assets of any additional bank or bank holding company. In addition, the bank holding companies may generally only engage in activities that are closely related to banking as determined by the Federal Reserve Board. Bank holding companies that meet certain criteria may opt to become a financial holding company and thereby engage in a broader array of financial activities.

Federal Reserve Board policy is that a bank holding company should pay cash dividends only to the extent that the company’s net income for the past two years is sufficient to fund the dividends and the prospective rate of earnings retention is consistent with the company’s capital needs, asset quality and overall financial condition.

A bank holding company is required to receive prior Federal Reserve Board approval of the redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, will be equal to 10% or more of the company’s consolidated net worth. Such approval is not required for a bank holding company that meets certain qualitative criteria.

These regulatory authorities have extensive enforcement authority over the institutions that they regulate to prohibit or correct activities that violate law, regulation or a regulatory agreement or which are deemed to be unsafe or unsound banking practices. Enforcement actions may include the appointment of a conservator or receiver, the issuance of a cease and desist order, the termination of deposit insurance, the imposition of civil money penalties on the institution, its directors, officers, employees and institution-affiliated parties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the removal of or restrictions on directors, officers, employees and institution-affiliated parties, and the enforcement of any such mechanisms through restraining orders or other court actions. Any change in laws and regulations, whether by the OCC, the FDIC, the Federal Reserve Board or through legislation, could have a material adverse impact on the Bank and the Company and their operations and stockholders. Additional information on regulatory requirements is set forth in Note 14 to the Consolidated Financial Statements.

The Company had nominal results of operations for 2012, 2011, and 2010 on a parent-only basis. On December 21, 2012, the Company filed a shelf registration statement on form S-3 to register up to $75 million of securities and a prospectus and prospectus supplement. On June 27, 2012, the Company filed a shelf registration statement on Form S-3 to register up to 800,000 of securities pursuant to the DRP Plan with the SEC. On December 20, 2011, the Company raised $24.1 million in capital from the sale of 1,377,000 shares of common stock to selected institutional and other private investors in a registered direct offering. In November 2011, the Company filed a prospectus supplement under which it may from time to time sell up to $10.0 million of its common stock pursuant to an at-the-market equity offering program. During 2011 the Company issued 30,220 shares of common stock and raised $0.6 million in capital under this program. No additional shares were issued under this program in 2012. On May 27, 2011, the Company issued 273,479 shares of common stock with an aggregate value of $5.8 million in connection with the acquisition of Hamptons State Bank. In 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 TPS have a liquidation amount of $1,000 per security and the TPS shares 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. 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. Since the inception of the DRP Plan in April 2009 through December 31, 2012, the Company has issued 856,005 shares of common stock and raised $16.8 million in capital. During 2008, the Company received approval and began trading on the NASDAQ Global Select Market under the symbol “BDGE”. Equity incentive plan grants of stock options and stock awards are recorded directly to the holding company. The Company’s sources of funds are dependent on dividends from the Bank, its

own earnings, additional capital raised and borrowings. 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. The Bank also generates non interest income, such as fee income on deposit accounts and merchant credit and debit card processing programs, investment services, income from its title insurance 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 abstract subsidiary, and income tax expense, further affects the Bank's net income.

The Company files certain reports with the Securities and Exchange Commission ("SEC") under the federal securities laws. The Company's operations are also subject to extensive regulation by other federal, state and local governmental authorities and it is subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of its operations. Management believes that the Company is in substantial compliance, in all material respects, with applicable federal, state and local laws, rules and regulations. Because the Company's business is highly regulated, the laws, rules and regulations applicable to it are subject to regular modification and change. There can be no assurance that these proposed laws, rules and regulations, or any other laws, rules or regulations, will not be adopted in the future, which could make compliance more difficult or expensive or otherwise adversely affect the Company's business, financial condition or prospects.

OTHER INFORMATION

Through a link on the Investor Relations section of the Bank's website of *www.bridgenb.com*, copies of the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) for 15(d) of the Exchange Act, are made available, free of charge, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. Copies of such reports and other information also are available at no charge to any person who requests them or at *www.sec.gov*. Such requests may be directed to Bridge Bancorp, Inc., Investor Relations, 2200 Montauk Highway, PO Box 3005, Bridgehampton, NY 11932, (631) 537-1000.

Item 1A. Risk Factors

The concentration of our loan portfolio in loans secured by commercial and residential real estate properties located in eastern Long Island could materially adversely affect our financial condition and results of operations if general economic conditions or real estate values in this area decline.

Unlike larger banks that are more geographically diversified, 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 in Suffolk County which is located on eastern Long Island. The local economic conditions on eastern Long Island have a significant impact on the volume of loan originations and the quality of our loans, the ability of borrowers to repay these loans, and the value of collateral securing these loans. A considerable decline in the general economic conditions caused by inflation, recession, unemployment or other factors beyond our control would impact these local economic conditions and could negatively affect our financial condition and results of operations. Additionally, while we have a significant amount of commercial real estate loans, the majority of which are owner-occupied, decreases in tenant occupancy may also have a negative effect on the ability of borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings.

Changes in interest rates could affect our profitability.

The Bank's ability to earn a profit, like most financial institutions, depends primarily on net interest income, which is the difference between the interest income that the Bank earns on its interest-earning assets, such as loans and investments, and the interest expense that the Bank pays on its interest-bearing liabilities, such as deposits. The Bank's profitability depends on its ability to manage its assets and liabilities during periods of changing market interest rates.

In a period of rising interest rates, the interest income earned on the Bank's assets may not increase as rapidly as the interest paid on its liabilities. In an increasing interest rate environment, the Bank's cost of funds is expected to increase more rapidly than interest earned on its loan and investment portfolio as its primary source of funds is deposits with generally shorter maturities than those on its loans and investments. This makes the balance sheet more liability sensitive in the short term.

A sustained decrease in market interest rates could adversely affect the Bank's earnings. When interest rates decline, borrowers tend to refinance higher-rate, fixed-rate loans at lower rates. Under those circumstances, the Bank would not be able to reinvest those prepayments in assets earning interest rates as high as the rates on those prepaid loans or in investment securities. In addition, the majority of the Bank's loans are at variable interest rates, which would adjust to lower rates.

Changes in interest rates also affect the fair value of our securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. As of December 31, 2012, our securities portfolio totaled $739.8 million.

In addition, the Dodd-Frank Act eliminated the federal prohibition on paying interest on demand deposits effective July 21, 2011, thus allowing businesses to have interest-bearing checking accounts. Depending on competitive responses, this change to existing law could increase our interest expense.

Strong competition within our market area may limit our growth and profitability.

The Bank's market area is located in Suffolk County on eastern Long Island and its customer base is mainly located in the towns of East Hampton, Southampton, Southold and Riverhead. Since 2009, the Bank has expanded its market areas to include branches in the towns of Brookhaven, Babylon and Islip. During 2012, the Bank opened two new branches: one in June located in Ronkonkoma, New York and one in December 2012 located in Hauppauge, New York. The Bank also opened administrative offices in December 2012 in Hauppauge, New York, to better service customers as the Bank continues to move westward. Competition in the banking and financial services industry remains intense. The profitability of the Bank depends on the continued ability to successfully compete. The Bank competes with commercial banks, savings banks, credit unions, insurance companies, and brokerage and investment banking firms. Many of our competitors have substantially greater resources and lending limits than the Bank and may offer certain services that the Bank does not provide. In addition, competitors may offer deposits at higher rates and loans with lower fixed rates, more attractive terms and less stringent credit structures than the Bank has been willing to offer. Furthermore, the high cost of living on the twin forks of eastern Long Island creates increased competition for the recruitment and retention of qualified staff.

Our future success depends on the success and growth of The Bridgehampton National Bank.

Our primary business activity for the foreseeable future will be to act as the holding company of the Bank. Therefore, our future profitability will depend on the success and growth of this subsidiary. The continued and successful implementation of our growth strategy will require, among other things, that we increase our market share by attracting new customers that currently bank at other financial institutions in our market area. In addition, our ability to successfully grow will depend on several factors, including favorable market conditions, the competitive responses from other financial institutions in our market area, and our ability to maintain high asset quality. While we believe we have the management resources, market opportunities and internal systems in place to obtain and successfully manage future growth, growth opportunities may not be available and we may not be successful in continuing our growth strategy. In addition, continued growth requires that we incur additional expenses, including salaries, data processing and occupancy expense related to new branches and related support staff. Many of these increased expenses are considered fixed expenses. Unless we can successfully continue our growth, our results of operations could be negatively affected by these increased costs. Finally, our growth is also affected by the seasonality of our markets in Eastern Long Island, including the Hamptons and North Fork, a region that is a recreational destination for the New York metropolitan area, and a highly regarded resort locale world-wide. This seasonality results in more economic activity in the summer months and decrease activity in the off season, which can adversely impact the consistency and sustainability of growth.

The loss of key personnel could impair our future success.

Our future success depends in part on the continued service of our executive officers, other key management, as well as our staff, and on our ability to continue to attract, motivate, and retain additional highly qualified employees. The loss of services of one or more of our key personnel or our inability to timely recruit replacements for such personnel, or to otherwise attract, motivate, or retain qualified personnel could have an adverse effect on our business, operating results and financial condition.

We operate in a highly regulated environment.

The Bank and Company are subject to extensive regulation, supervision and examination by the OCC, the FDIC, the Federal Reserve Board and the SEC. Such regulation and supervision governs the activities in which a financial institution and its holding company may engage and are intended primarily for the protection of the consumer rather than for the protection of shareholders. Recently regulators have intensified their focus on the USA PATRIOT Act's anti-money laundering and Bank Secrecy Act compliance requirements. In order to comply with regulations, guidelines and examination procedures in this area as well as other areas of the Bank's operations, we have been required to adopt new policies and procedures and to install new systems. We cannot be certain that the policies, procedures, and systems we have in place are effective and there is no assurance that in every instance we are in full compliance with these requirements. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, or legislation, may have a material impact on our operations.

We may be adversely affected by current economic and market conditions.

The national and global economic downturn that began in 2007 has resulted in unprecedented levels of financial market volatility which depressed the market value of financial institutions, limited access to capital and/or had a material adverse effect on the financial condition or results of operations of banking companies. Since 2008, significant declines in the values of mortgage-backed securities and derivative securities of financial institutions, government sponsored entities, and major commercial and investment banks has led to decreased confidence in financial markets among borrowers, lenders, and depositors, as well as disruption and

extreme volatility in the capital and credit markets and the failure of some entities in the financial sector. As a result, many lenders and institutional investors have reduced or ceased to provide funding to borrowers. While financial markets appear to be stabilizing, and there are a few positive signs of economic recovery, including increased local real estate activity, economic uncertainty remains. Unemployment rates are high and consumer confidence is low. While the timing of an economic recovery remains unknown, this may have an adverse affect on our financial condition and results of operations. Turbulence in the capital and credit markets may adversely affect our liquidity and financial condition and the willingness of certain counterparties and customers to do business with us.

Increases to the allowance for credit losses may cause our earnings to decrease.

Our customers may not repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. Hence, we may experience significant loan losses, which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the amount of the allowance for credit losses, we rely on loan quality reviews, past loss experience, and an evaluation of economic conditions, among other factors. If our assumptions prove to be incorrect, our allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to the allowance. Material additions to the allowance through charges to earnings would materially decrease our net income.

Bank regulators periodically review our allowance for credit losses and may require us to increase our provision for credit losses or loan charge-offs. Any increase in our allowance for credit losses or loan charge-offs as required by these regulatory authorities could have a material adverse effect on our results of operations and/or financial condition.

The trust preferred securities that we issued have rights that are senior to those of our common shareholders. The conversion of the trust preferred securities into shares of our common stock could result in dilution of your investment.

In October 2009 we issued $16 million of 8.5% cumulative convertible trust preferred securities from a special purpose trust, and we issued an identical amount of junior subordinated debentures to this trust. Payments of the principal and interest on the trust preferred securities are conditionally guaranteed by us. Further, the accompanying junior subordinated debentures that we issued to the trust are senior to our shares of common stock. As a result, we must make payments on the junior subordinated debentures before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the obligations with respect to the junior subordinated debentures must be satisfied before any distributions can be made on our common stock. We have the right to defer distributions on the junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock.

In addition, each $1,000 in liquidation amount of the trust preferred securities currently is convertible, at the option of the holder, into 32.2581 shares of our common stock. The conversion of these securities into shares of our common stock would dilute the ownership interests of purchasers of our common stock in this offering.

The Dodd-Frank Wall Street Reform and Consumer Protection Act will, among other things, tighten capital standards, create a new Consumer Financial Protection Bureau and result in new laws and regulations that are expected to increase our cost of operations.

The Dodd-Frank Act is significantly changing the bank regulatory structure and is impacting the largest financial institutions as well as regional banks and community banks. The federal regulatory agencies, specifically the SEC and the new Consumer Financial Protection Bureau, are given significant discretion in drafting the implementing regulations.

The major bank-related provisions under the Dodd-Frank Act pertain to: capital requirements; mortgage reform and minimum lending standards; consumer financial protection bureau; sale of mortgage loans (including risk retention requirements); FDIC insurance-related provisions; preemption standards for national banks; abolishment of the Office of Thrift Supervision; interchange fee for debit card transactions; Volcker Rule; regulation of derivatives/swaps; Financial Services Oversight Council; resolution authority; and corporate governance matters (e.g.; “say on pay”; new executive compensation disclosure and clawbacks, etc.). Given the range of topics in the Dodd-Frank Act and the voluminous regulations required to implement by the Dodd-Frank Act, the full impact will not be known for some time.

Certain provisions of the Dodd-Frank Act impacted banks upon enactment of the legislation. Examples of this were the permanent increase of FDIC deposit insurance limits, the FDIC Assessment Base calculation change and the removal of the cap for the Deposit Insurance Fund, all of which in turn affected banks' FDIC deposit insurance premiums. Certain provisions of the Dodd-Frank Act are expected to have a near-term effect on us. For example, a provision of the Dodd-Frank Act eliminated 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 increase our interest expense.

The Dodd-Frank Act created 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 and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets will be examined by their applicable 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.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the many 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.

The short-term and long-term impact of the changing regulatory capital requirements and anticipated new capital rules are uncertain.

On June 7, 2012, the Federal Reserve Board issued proposed rules that would substantially amend the regulatory risk-based capital rules applicable to us. The OCC subsequently approved these proposed rules on June 12, 2012. The proposed rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. Basel III was initially intended to be implemented beginning January 1, 2013, however on November 9, 2012, the U.S. federal banking agencies announced that the proposed rules would not become effective on January 1, 2013, and it is not clear when the proposed rules will become effective.

Various provisions of the Dodd-Frank Act increase the capital requirements of financial institutions. The proposed rules include new minimum risk-based capital and leverage ratios, which would be phased in during 2013 and 2014, and would refine the definition of what constitutes "capital" for purposes of calculating these ratios. The proposed new minimum capital requirements would be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The proposed rules would also establish a "capital conservation buffer" of 2.5% above the new regulatory minimum capital ratios, and would result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement would be phased in beginning in January 2016 at 0.625% of risk-weighted assets and would increase each year until fully implemented in January 2019. An institution would be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations would establish a maximum percentage of eligible retained income that could be utilized for such actions. While the proposed Basel III changes and other regulatory capital requirements will result in higher regulatory capital standards, it is difficult at this time to predict when or how any new standards will ultimately be applied. In addition, in the current economic and regulatory environment, bank regulators may impose capital requirements that are more stringent than those required by applicable existing regulations.

The application of more stringent capital requirements could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of Basel III could result in our having to lengthen the term of our funding, restructure our business models, and/or increase our holdings of liquid assets. Implementation of changes to asset risk weightings for risk based capital calculations, items included or deducted in calculating regulatory capital or additional capital conservation buffers, could result in management modifying our business strategy and could limit our ability to make distributions, including paying dividends or buying back our shares.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities investments, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business thereby subjecting us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

Severe Weather, Acts of Terrorism and Other External Events Could Impact Our Ability to Conduct Business

Recent weather-related events have adversely impacted our market area, especially areas located near coastal waters and flood prone areas. Such events that may cause significant flooding and other storm-related damage may become more common events in the future. Financial institutions have been, and continue to be, targets of terrorist threats aimed at compromising operating and communication systems and the metropolitan New York area remain central targets for potential acts of terrorism. Such events could cause significant damage, impact the stability of our facilities and result in additional expenses, impair the ability of our borrowers to repay their loans, reduce the value of collateral securing repayment of our loans, and result in the loss of revenue. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At present, the Registrant does not own or lease any property. The Registrant uses the Bank's space and employees without separate payment. Headquarters are located at 2200 Montauk Highway, Bridgehampton, New York 11932. The Bank's internet address is *www.bridgenb.com*.

All of the Bank's properties are located in Suffolk County, New York. The Bank's Main Office in Bridgehampton is owned. The Bank also owns buildings that house branches located in; Montauk, Southold, Westhampton Beach, Southampton Village, and East Hampton Village. The Bank currently leases out a portion of the Montauk and Westhampton Beach buildings. The Bank leases fifteen additional properties in Suffolk County as branch locations. Additionally, the Bank utilizes space for a branch in the retirement community, Peconic Landing at 1500 Brecknock Road, Greenport. The Bank currently subleases a portion of the leased property located in Patchogue. In 2011, the Bank purchased real estate in the Town of Southold which will also be considered as a site for a future branch facility.

Item 3. Legal Proceedings

The Registrant and its subsidiary are subject to certain pending and threatened legal actions that arise out of the normal course of business. In the opinion of management at the present time, the resolution of any pending or threatened litigation will not have a material adverse effect on its consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

COMMON STOCK INFORMATION

The Company's common stock trades on the NASDAQ Global Select Market under the symbol "BDGE". The following table details the quarterly high and low sale prices of the Company's common stock and the dividends declared for such periods.

At December 31, 2012 the Company had approximately 858 shareholders of record, not including the number of persons or entities holding stock in nominee or the street name through various banks and brokers.

COMMON STOCK INFORMATION

	Stock Prices		
	High	**Low**	**Dividends Declared**
By Quarter 2012			
First	**$ 22.33**	**$ 19.30**	**$ 0.23**
Second	**$ 23.59**	**$ 19.02**	**$ 0.23**
Third	**$ 24.54**	**$ 19.58**	**$ 0.23**
Fourth	**$ 23.24**	**$ 19.07**	**$ 0.46**

	Stock Prices		
	High	Low	Dividends Declared
By Quarter 2011			
First	$ 25.94	$ 20.94	$ 0.23
Second	$ 22.68	$ 20.73	$ —
Third	$ 22.19	$ 17.77	$ 0.23
Fourth	$ 20.79	$ 17.51	$ 0.23

Stockholders received cash dividends totaling $9.9 million in 2012 and $6.1 million in 2011. During the second quarter of 2011, the Board revised its policy of dividend declaration to the month following the end of the quarter. This change in policy resulted in the declaration of the second quarter dividend in July 2011, and only three declared quarterly dividends during 2011. Due to the likelihood of a change in the tax rates on dividends beginning in 2013, management decided to accelerate the timing of the payment of the Company's fourth quarter dividend to shareholders into calendar year 2012 resulting in five dividend payments in 2012. The ratio of dividends per share to net income per share was 77.50% in 2012 compared to 44.35% in 2011.

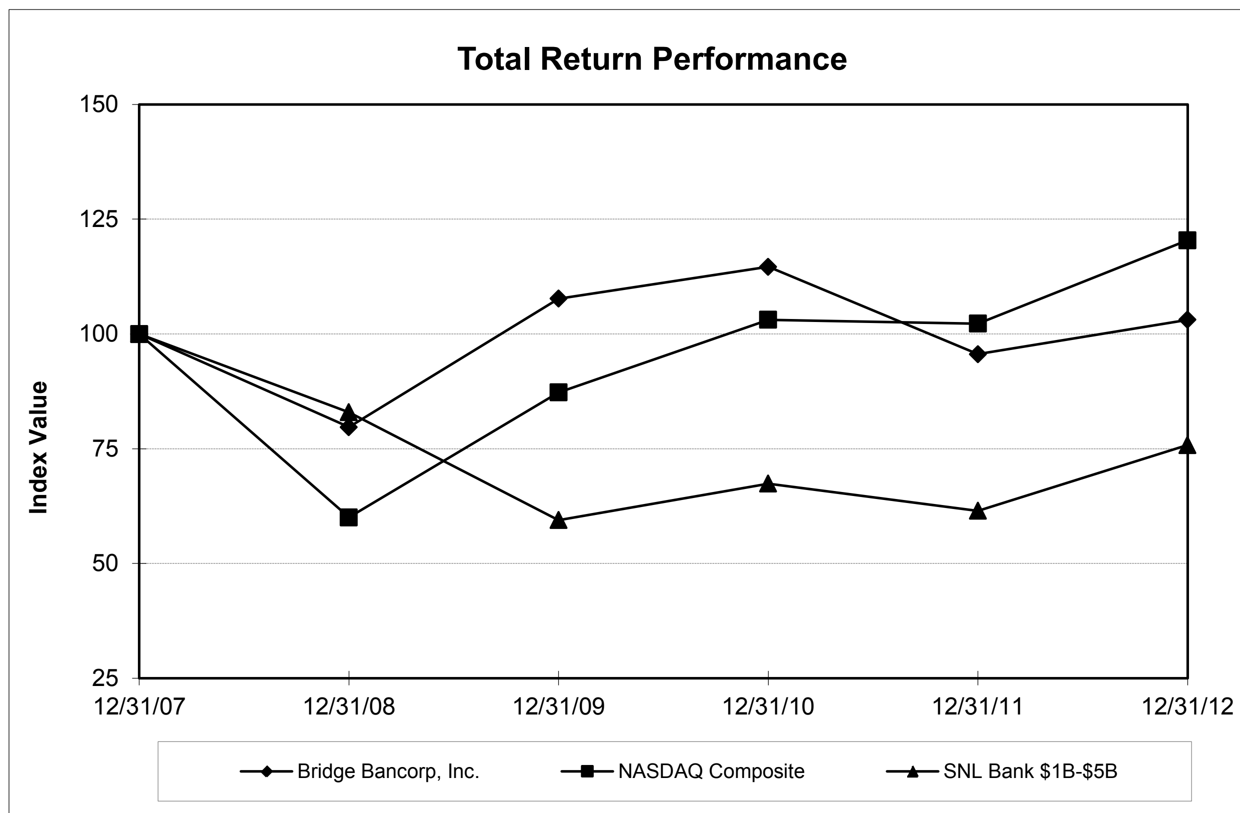
There are various legal limitations with respect to the Company's ability to pay dividends to shareholders and the Bank's ability to pay dividends to the Company. Under the New York Business Corporation Law, the Company may pay dividends on its outstanding shares unless the Company is insolvent or would be made insolvent by the dividend. Under federal banking law, the prior approval of the Federal Reserve Board and the Office Comptroller of the Currency (the "OCC") may be required in certain circumstances prior to the payment of dividends by the Company or the Bank. A national bank may generally declare a dividend, without approval from the OCC, in an amount equal to its year-to-date net income plus the prior two years' net income that is still available for dividend. At December 31, 2012, the Bank had $33.5 million of retained net income available for dividends to the Company. The OCC also has the authority to prohibit a national bank from paying dividends if such payment is deemed to be an unsafe or unsound practice. In addition, as a depository institution the deposits of which are insured by the FDIC, the Bank may not pay dividends or distribute any of its capital assets while it remains in default on any assessment due to the FDIC. The Bank currently is not (and never has been) in default under any of its obligations to the FDIC.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the Federal Reserve Board's policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The Federal Reserve Board has the authority to prohibit the Company from paying dividends if such payment is deemed to be an unsafe or unsound practice.

PERFORMANCE GRAPH

Pursuant to the regulations of the SEC, the graph below compares the performance of the Company with that of the total return for the NASDAQ® stock market and for certain bank stocks of financial institutions with an asset size $1 billion to $5 billion, as reported by SNL Financial L.C. from December 31, 2007 through December 31, 2012. The graph assumes the reinvestment of dividends in additional shares of the same class of equity securities as those listed below.

Bridge Bancorp, Inc.



	Period Ended					
Index	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	**12/31/12**
Bridge Bancorp, Inc.	100.00	79.71	107.70	114.63	95.60	**103.09**
NASDAQ Composite	100.00	60.02	87.24	103.08	102.26	**120.42**
SNL Bank $1B-$5B	100.00	82.94	59.45	67.39	61.46	**75.78**

ISSUER PURCHASES OF EQUITY SECURITIES

The Board of Directors approved a stock repurchase program on March 27, 2006 which approved the repurchase of 309,000 shares. No shares have been purchased during the year ended December 31, 2012. The total number of shares purchased as part of the publicly announced plan totaled 141,959 as of December 31, 2012. The maximum number of remaining shares that may be purchased under the plan totals 167,041 as of December 31, 2012. There is no expiration date for the stock repurchase plan. There is no stock repurchase plan that has expired or that has been terminated during the period ended December 31, 2012.

Item 6. Selected Financial Data

Five-Year Summary of Operations
(In thousands, except per share data and financial ratios)

Set forth below are selected consolidated financial and other data of the Company. The Company's business is primarily the business of the Bank. This financial data is derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company.

December 31,	2012	2011	2010	2009	2008
Selected Financial Data:					
Securities available for sale	**$ 529,070**	$ 441,439	$ 323,539	$ 306,112	$ 310,695
Securities, restricted	**2,978**	1,660	1,284	1,205	3,800
Securities held to maturity	**210,735**	169,153	147,965	77,424	43,444
Loans held for sale	**—**	2,300	—	—	—
Loans held for investment	**798,446**	612,143	504,060	448,038	429,683
Total assets	**1,624,713**	1,337,458	1,028,456	897,257	839,059
Total deposits	**1,409,322**	1,188,185	916,993	793,538	659,085
Total stockholders' equity	**118,672**	106,987	65,720	61,855	56,139
Years Ended December 31,					
Selected Operating Data:					
Total interest income	**$ 54,514**	$ 50,426	$ 44,899	$ 43,368	$ 39,620
Total interest expense	**7,555**	7,616	7,740	7,815	9,489
Net interest income	**46,959**	42,810	37,159	35,553	30,131
Provision for loan losses	**5,000**	3,900	3,500	4,150	2,000
Net interest income after provision for loan losses	**41,959**	38,910	33,659	31,403	28,131
Total non interest income	**10,673**	6,949	7,433	6,174	6,064
Total non interest expense	**33,780**	30,837	27,879	24,765	21,157
Income before income taxes	**18,852**	15,022	13,213	12,812	13,038
Income tax expense	**6,080**	4,663	4,047	4,049	4,288
Net income	**$ 12,772**	$ 10,359	$ 9,166	$ 8,763	$ 8,750
December 31,					
Selected Financial Ratios and Other Data:					
Return on average equity	**11.78%**	14.37%	15.29%	15.58%	16.29%
Return on average assets	**0.88%**	0.88%	0.95%	1.06%	1.24%
Average equity to average assets	**7.49%**	6.11%	6.18%	6.80%	7.62%
Dividend payout ratio [(1)] [(2)]	**77.50%**	44.35%	63.42%	65.43%	64.74%
Basic earnings per share	**$ 1.48**	$ 1.54	$ 1.45	$ 1.41	$ 1.42
Diluted earnings per share	**$ 1.48**	$ 1.54	$ 1.45	$ 1.41	$ 1.42
Cash dividends declared per common share	**$ 1.15**	$ 0.69	$ 0.92	$ 0.92	$ 0.92

(1) The dividend payout ratio for 2012 includes five declared quarterly dividends.
(2) The dividend payout ratio for 2011 includes three declared quarterly dividends.

Item 7. 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," "predict," "project," "would," "estimated," "assumes," "likely," and variation of such similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements include, but are not limited to, possible or assumed estimates with respect to the financial condition, expected or anticipated revenue, and results of operations and business of the Company, including earnings growth; revenue growth in retail banking lending and other areas; origination volume in the consumer, commercial and other lending businesses; current and future capital management programs; non-interest income levels, including fees from the title abstract subsidiary and banking services as well as product sales; tangible capital generation; market share; expense levels; and other business operations and strategies. For this presentation, the Company claims the protection of the safe harbor for forward-looking statements contained in the PSLRA.

Factors that could cause future results to vary from current management expectations include, but are not limited to, changing economic conditions; legislative and regulatory changes, including increases in FDIC insurance rates; monetary and fiscal policies of the federal government; changes in tax policies; rates and regulations of federal, state and local tax authorities; changes in interest rates; deposit flows; the cost of funds; demands for loan products; demand for financial services; competition; changes in the quality and composition of the Bank's loan and investment portfolios; changes in management's business strategies; changes in accounting principles, policies or guidelines, changes in real estate values; expanded regulatory requirements as a result of the Dodd-Frank Act, which could adversely affect operating results; and other factors discussed elsewhere in this report, factors set forth under Item 1A., Risk Factors, 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., a New York corporation, is a single 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, investment services, income from its title abstract subsidiary, and net gains on sales of securities and loans. The level of its non interest expenses, such as salaries and benefits, occupancy and equipment costs, other general and administrative expenses, expenses from its title insurance subsidiary, and income tax expense, further affects the Bank's net income. Certain reclassifications have been made to prior year amounts and the related discussion and analysis to conform to the current year presentation. These reclassifications did not have an impact on net income or total stockholders' equity.

Year and Quarterly Highlights

- Net income of $3.4 million and $0.39 per diluted share for the fourth quarter 2012 compared to $3.0 million and $0.42 per diluted share for the fourth quarter 2011. Net income for 2012 was $12.8 million and $1.48 per diluted share, compared to $10.4 million and $1.54 per diluted share, including $0.5 million in acquisition costs, net of tax, associated with the HSB merger in 2011.
- Returns on average assets and equity for 2012 were 0.88% and 11.78%, respectively.
- Net interest income increased to $47.0 million for 2012 compared to $42.8 million in 2011.
- Net interest margin was 3.52% for 2012 and 3.97% for 2011.
- Total assets of $1.6 billion at December 31, 2012, an increase of $0.3 billion or 21.5% over the same date last year.

- Total loans held for investment of $798.4 million at December 31, 2012, an increase of 30.4% from December 31, 2011.

- Total investment securities of $742.8 million at December 31, 2012, an increase of 21.3% over December 31, 2011.

- Total deposits of $1.4 billion at December 31, 2012, an increase of $221.1 million or 18.6% over 2011 level.

- Allowance for loan losses was 1.81% of loans as of December 31, 2012, compared to 1.77% at December 31, 2011.

- The Company's Tier 1 Capital to quarterly average assets ratio was 8.4% as of December 31, 2012, as compared to 9.3% as of 2011. Stockholders' equity totaled $118.7 million at December 31, 2012, an increase of $11.7 million from December 31, 2011 as a result of the capital raised through the DRIP, as well as continued earnings growth, net of dividends.

- A cash dividend of $0.23 per share was declared and paid in December 2012 for the fourth quarter of 2012.

Current Environment

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed by the President. The Act permanently raised the current standard maximum deposit insurance amount to $250,000. Section 331(b) of the Dodd-Frank Act required the FDIC to change the definition of the assessment base from which assessment fees are determined. The new definition for the assessment base is the average consolidated total assets of the insured depository institution less the average tangible equity of the insured depository institution. The financial reform legislation, among other things, created a new Consumer Financial Protection Bureau, tightened capital standards and resulted in new regulations that are expected to increase the cost of operations.

On June 12, 2012, the OCC, the Federal Reserve and the FDIC issued proposed rules that would revise capital calculations and requirements. More specifically, the agencies are proposing to revise the risk based and leverage capital requirements consistent with the Basel Committee on Banking Supervision ("Basel III"), implement a new common equity Tier 1 minimum capital requirement, increase the minimum Tier 1 capital requirement, implement a new supplementary leverage ratio, apply limits on capital distributions and certain discretionary incentive payments if the Bank does not hold a specified buffer of common equity Tier 1 capital in addition to the minimum risk based capital requirements, revise the advanced approaches risk based capital rules consistent with Basel III and revise the calculation of risk weighted assets to enhance risk sensitivity.

Since the second half of 2007 and continuing through 2010, the financial markets experienced significant volatility resulting from the continued fallout of sub-prime lending and the global liquidity crises. Various government initiatives along with eight rate cuts by the Federal Reserve totaling 500 basis points were designed to improve liquidity for the distressed financial markets. The objective of these efforts was to help consumers, reduce the potential surge of residential mortgage loan foreclosures and stabilize the banking system. Effective as of February 19, 2010, the Federal Reserve increased the discount rate 50 basis points to 0.75%. The Federal Reserve stated that this rate change was intended to normalize their lending facility and to step away from emergency lending to banks. From April 2010 through September 2012 the Federal Reserve decided to maintain the federal funds target rate between 0 and 25 basis points due to a continued national depressed housing market, tight credit markets and as an effort to foster employment. These actions have resulted in a prolonged low interest rate environment reducing yields on interest earning assets and compressing the Company's net interest margin. In June 2012, the FOMC lowered its expectations for employment and GDP growth. In September 2012, the FOMC noted that economic activity was increasing, the growth in unemployment had slowed and the housing market was beginning to show signs of improvement. However, the FOMC anticipates maintaining federal funds target rate at least through mid-2015 in order to support economic and job growth.

Growth and service strategies have the potential to offset the compression on net interest margin with volume as the customer base grows through expanding the Bank's footprint, while maintaining and developing existing relationships. Since 2008, the Bank has opened seven new branches. The recent branch openings move the Bank geographically westward and demonstrate its commitment to traditional growth through branch expansion. In May 2011, the Bank acquired HSB which increased the Bank's presence in an existing market with a branch located in the Village of Southampton. In July 2011, the Bank converted the former HSB customers to the Bank's core operating system. Management spent considerable time ensuring the transition progressed smoothly for HSB's former customers and shareholders. Management has demonstrated its ability to successfully integrate the former HSB customers and achieve expected cost savings while continuing to execute its business strategy. Management will continue to seek opportunities to expand its reach into other contiguous markets by network expansion, or through the addition of professionals with established customer relationships.

Challenges and Opportunities

Despite fiscal and monetary policy initiatives implemented to combat the recession, the Company continues operating in an unsettled economic environment. Five years after the financial crisis, the Banking environment remains uncertain with the fallout from both regulatory activity and the economic impact of decisions made during and subsequent to the crisis. The costs, in terms of compliance and greater capitalization, continue impacting shareholders expectations and returns.

While recent news on employment appears positive, issues still linger regarding the recovery's strength and sustainability. Job creation remains a primary focus of the government, and the Federal Reserve Board's (the "FRB") recent announcements regarding continued quantitative easing is an attempt, through monetary policy, to increase economic activity and create jobs. Locally, the economy appears stronger than other parts of New York and the nation. The credit environment appears to be stabilizing and our Company and many of our customers avoided significant damage from the effects of Hurricane Sandy, however, the continued confidence of consumers and businesses remains critical to future economic activity.

The FRB's activities have heightened the challenges for the banking industry. Lower rates, while beneficial for certain segments of the economy, pose issues for others. Customers who rely on their savings to provide income have been impacted, and industry wide banks are seeing the returns on their loans and investments decline. The eventuality of rising rates is one of the industry's greatest challenges and threats, creating margin pressures and ultimately impacting credit, as businesses adjust and manage with potentially higher borrowing costs. These circumstances warrant proactive management to mitigate interest rate and credit risk and maintain overall profitability. During the twelve months ended December 31, 2012, the Company repositioned its balance sheet, as the continuing low rate environment presented opportunities to exit certain positions in the bond portfolio. Securities aggregating $152 million were sold at a net gain of $2.6 million. A portion of the sales proceeds were used to repay borrowings with the balance available to fund future loan growth. Management believes this strategy was appropriate and prudent given current market indicators. Management is cautious managing the types of loans it originates and investment it makes, while remaining prepared to deal with the eventuality of higher rates. Additionally, although asset quality measures remain strong, management continues to prudently assess its reserves in light of continued weakness in the overall economy.

The prospects of the financial services sector and the Company continue to be impacted by the final outcome of the implementation of the Dodd-Frank Act. The Company expects new rules, regulations and related compliance and process changes and will increase its compliance resources appropriately. The proposed changes to calculating capital under Basel III may increase the complexity and level of capital requirements. The Bank continues to collaborate with its primary regulator to ensure compliance with current requirements and interpretations. It is the belief of management that its strong risk management culture is a primary reason for its long term success and management views the current challenges as opportunities to expand its business and deliver the promise of successful community banking to its customers and shareholders. Management must maintain its stringent underwriting standards and diligently monitor credit concentrations and exposures as the Company grows. Management needs to prudently price all products and structure its balance sheet for the eventuality of higher rates. Management seeks new sources of revenue while monitoring expenditures and identifying opportunities to achieve efficiencies. Finally, management must capitalize on current competitors' dislocations and distractions while investing in infrastructure and technology to be prepared for the evolving competitive landscape.

The Company's record achievements in 2012 of substantial organic loan, deposit and revenue growth, coupled with strong asset quality and capitalization levels combined to deliver industry leading returns. This is a testament to the Company's unwavering commitment to community banking, whereby the Company partners with its customers, delivering advice and solutions for their financial needs. This is the core of the Company's business model and dedication to these principles contributes to its current success, and is paramount in all future initiatives. The key to delivering on the Company's mission is combining its expanding branch network, improving technology, and experienced professionals with the critical element of local decision making. The successful expansion of the franchise's geographic reach delivered the desired results; increasing core deposits and loans, and generating record levels of revenue and income. This revenue offset higher credit and compliance costs allowing the Company to continue building the infrastructure necessary to manage in today's increasingly complex regulatory environment. 2012 marked another step in the continuing evolution of the Company and demonstrated ongoing commitment to identify, leverage and efficiently execute on market opportunities. Looking ahead, management sees the potential to continue this strategic course with similar positive results.

Corporate objectives for 2013 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. Management believes there remain opportunities to grow its franchise and continued investments to generate core funding, quality loans and new sources of revenue, remain keys to continue creating long term shareholder value. Management remains committed to branch based banking and in June 2012, the Company opened a new branch in Ronkonkoma, near MacArthur Airport, a regional transportation hub. The bank opened its 22nd branch in Hauppauge, New York, in December 2012. The Bank also received regulatory approval to open two additional branches in Shelter Island, New York and Rocky Point, New York. The Company expects to open these locations during the first half of 2013. The Company began to pilot its new electronic banking platform in the first quarter of 2013. This will allow the Company to enhance the delivery of current technology, and more importantly, effectively deliver the next generation of products and services to its existing and new customer base. The

ability to attract, retain, train and cultivate employees at all levels of the Company remains significant to meeting corporate 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. 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

Note 1 to our Consolidated Financial Statements for the year ended December 31, 2012 contains a summary of our significant accounting policies. Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Our policy with respect to the methodologies used to determine the allowance for loan losses is our most critical accounting policy. This policy is important to the presentation of our financial condition and results of operations, and it involves a higher degree of complexity and requires management to make difficult and subjective judgments, which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions and estimates could result in material differences in our results of operations or financial condition.

The following is a description of our critical accounting policy and an explanation of the methods and assumptions underlying its application.

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 are also used to determine the estimates of the fair value of the underlying collateral or the present value of expected future cash flows or the loan's observable market value. Individual loan analyses are periodically performed on specific loans considered impaired. For collateral dependent impaired loans, appraisals are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, the Credit Administration department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources, such as recent market data or industry-wide statistics. On a quarterly basis, the Company compares the actual selling price of collateral that has been sold, based on these independent sources, as well as recent appraisals associated with current loan origination activity, to the most recent appraised value to determine if additional adjustments should be made to the appraisal value to arrive at fair value. Adjustments to fair value are made only when the analysis indicates a probable decline in collateral values. Individual valuation allowances could differ materially as a result of changes in these assumptions and judgments. Individual loan analyses are periodically performed on specific loans considered impaired. The results of the individual valuation allowances are aggregated and included in the overall allowance for loan losses.

Loan pool valuation allowances represent loss allowances that have been established to recognize the inherent risks associated with our lending activities, but which, unlike individual allowances, have not been allocated to particular problem assets. Pool evaluations are broken down into loans with homogenous characteristics by loan type and include commercial real estate mortgages, owner and non-owner occupied; multi-family mortgages; residential real estate mortgages, first lien and home equity; commercial loans, secured

and unsecured; installment/consumer loans; and real estate construction and land loans. The determination of the adequacy of the valuation allowance is a process that takes into consideration a variety of factors. The Bank has developed a range of valuation allowances necessary to adequately provide for probable incurred losses inherent in each pool of loans. We consider our own charge-off history along with the growth in the portfolio as well as the Bank's credit administration and asset management philosophies and procedures, and concentrations in the portfolio when determining the allowances for each pool. In addition, we evaluate and consider the credit's risk rating which includes management's evaluation of: cash flow, collateral and trends in current values, guarantor support, financial disclosures, industry trends and strength of borrowers' management, the impact that economic and market conditions may have on the portfolio as well as known and inherent risks in the portfolio. Finally, we evaluate and consider the allowance ratios and coverage percentages of both peer group and regulatory agency data. These evaluations are inherently subjective because, even though they are based on objective data, it is management's interpretation of that data that determines the amount of the appropriate allowance. If the evaluations prove to be incorrect, the allowance for loan losses may not be sufficient to cover losses inherent in the loan portfolio, resulting in additions to the allowance for loan losses.

The Credit Risk Committee is comprised of members of both management and the Board of Directors. The adequacy of the allowance is analyzed quarterly, with any adjustment to a level deemed appropriate by the Credit Risk Committee, based on its risk assessment of the entire portfolio. Based on the Credit Risk Committee's review of the classified loans and the overall allowance levels as they relate to the entire loan portfolio at December 31, 2012, 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.

For additional information regarding our allowance for loan losses, see Note 3 to the Consolidated Financial Statements.

NET INCOME

Net income for 2012 totaled $12.8 million or $1.48 per diluted share while net income for 2011 totaled $10.4 million or $1.54 per diluted share, as compared to net income of $9.2 million, or $1.45 per diluted share for the year ended December 31, 2010. Net income increased $2.4 million or 23.3% compared to 2011 and net income for 2011 increased $1.2 million or 13.0% as compared to 2010. Significant trends for 2012 include: (i) a $4.1 million or 9.7% increase in net interest income; (ii) a $1.1 million increase in the provision for loan losses; (iii) a $3.8 million or 53.6% increase in total non interest income including net securities gains of $2.6 million; and (iv) a $3.0 million or 9.5% increase in total non interest expenses including a decline of $0.8 million of acquisition costs associated with the HSB merger that were incurred during 2011. The effective income tax rate was 32.3% for 2012 compared to 31.0% for 2011.

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 table sets forth certain information relating to the Company's average consolidated balance sheets and its consolidated statements of income for the years indicated and reflect the average yield on assets and average cost of liabilities for the years indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the years 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."*

Years Ended December 31, (Dollars in thousands)	2012 Average Balance	2012 Interest	2012 Average Yield/ Cost	2011 Average Balance	2011 Interest	2011 Average Yield/ Cost	2010 Average Balance	2010 Interest	2010 Average Yield/ Cost
Interest earning assets:									
Loans, net [1]	**$ 671,103**	**$ 40,255**	**6.00%**	$ 554,469	$ 35,434	6.39%	$ 461,289	$ 30,223	6.55%
Mortgage-backed, CMOs and other asset-back securities	**342,302**	**7,391**	**2.16**	277,073	9,000	3.25	242,997	9,585	3.94
Tax exempt securities [2]	**141,899**	**4,181**	**2.95**	124,616	4,417	3.54	104,824	4,153	3.96
Taxable securities	**191,445**	**4,068**	**2.12**	111,311	2,993	2.69	82,678	2,328	2.82
Federal funds sold	—	—	—	—	—	—	1,750	5	0.29
Deposits with banks	**27,840**	**78**	**0.28**	48,841	123	0.25	20,804	54	0.26
Total interest earning assets	**1,374,589**	**55,973**	**4.07**	1,116,310	51,967	4.66	914,342	46,348	5.07
Non interest earning assets:									
Cash and due from banks	**22,760**			19,025			15,857		
Other assets	**48,836**			44,952			39,707		
Total assets	**$ 1,446,185**			$ 1,180,287			$ 969,906		
Interest bearing liabilities:									
Savings, NOW and money market deposits	**$ 718,559**	**$ 3,738**	**0.52%**	$ 613,068	$ 3,936	0.64%	$ 480,642	$ 3,594	0.75%
Certificates of deposit of $100,000 or more	**131,695**	**1,453**	**1.10**	115,895	1,264	1.09	100,775	1,489	1.48
Other time deposits	**40,949**	**416**	**1.02**	43,282	507	1.17	45,630	762	1.67
Federal funds purchased and repurchase agreements	**38,613**	**461**	**1.19**	17,582	543	3.09	22,128	530	2.40
Federal Home Loan Bank term advances	**18,068**	**122**	**0.68**	82	—	0.00	19	—	0.00
Junior subordinated debentures	**16,002**	**1,365**	**8.53**	16,002	1,366	8.54	16,002	1,365	8.53
Total interest bearing liabilities	**963,886**	**7,555**	**0.78**	805,911	7,616	0.95	665,196	7,740	1.16
Non interest bearing liabilities:									
Demand deposits	**365,999**			294,566			238,740		
Other liabilities	**7,923**			7,721			6,028		
Total liabilities	**1,337,808**			1,108,198			909,964		
Stockholders' equity	**108,377**			72,089			59,942		
Total liabilities and stockholders' equity	**$ 1,446,185**			$ 1,180,287			$ 969,906		
Net interest income/interest rate spread [3]		**48,418**	**3.29%**		44,351	3.71%		38,608	3.91%
Net interest earning assets/net interest margin [4]	**$ 410,703**		**3.52%**	$ 310,399		3.97%	$ 249,146		4.22%
Ratio of interest earning assets to interest bearing liabilities			**142.61%**			138.52%			137.45%
Less: Tax equivalent adjustment		**(1,459)**			(1,541)			(1,449)	
Net interest income		**$ 46,959**			$ 42,810			$ 37,159	

(1) Amounts are net of deferred origination costs/ (fees) and the allowance for loan loss, and include loans held for sale.
(2) The above table is presented on a tax equivalent basis.
(3) Net interest rate spread represents the difference between the yield on average interest earning assets and the cost of average interest bearing liabilities.
(4) Net interest margin represents net interest income divided by average interest earning assets.

RATE/VOLUME ANALYSIS

Net interest income can be analyzed in terms of the impact of changes in rates and volumes. The following table illustrates the extent to which changes in interest rates and in the volume of average interest earning assets and interest bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rates (changes in rates multiplied by prior volume); and (iii) the net changes. For purposes of this table, changes that 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.

Years Ended December 31,	2012 Over 2011 Changes Due To			2011 Over 2010 Changes Due To		
(In thousands)	Volume	Rate	Net Change	Volume	Rate	Net Change
Interest income on interest earning assets:						
Loans [1]	$ 7,089	$ (2,268)	$ 4,821	$ 5,966	$ (755)	$ 5,211
Mortgage-backed, CMOs and other asset-backed securities	1,828	(3,437)	(1,609)	1,231	(1,816)	(585)
Tax exempt securities [2]	561	(797)	(236)	733	(469)	264
Taxable securities	1,811	(736)	1,075	777	(112)	665
Federal funds sold	—	—	—	(3)	(2)	(5)
Deposits with banks	(58)	13	(45)	71	(2)	69
Total interest earning assets	11,231	(7,225)	4,006	8,775	(3,156)	5,619
Interest expense on interest bearing liabilities:						
Savings, NOW and money market deposits	609	(807)	(198)	913	(571)	342
Certificates of deposit of $100,000 or more	141	48	189	320	(545)	(225)
Other time deposits	(27)	(64)	(91)	(37)	(218)	(255)
Federal funds purchased and repurchase agreements	387	(469)	(82)	(122)	135	13
Federal Home Loan Bank Advances	93	29	122	—	—	—
Junior subordinated debentures	—	(1)	(1)	—	1	1
Total interest bearing liabilities	1,203	(1,264)	(61)	1,074	(1,198)	(124)
Net interest income	$ 10,028	$ (5,961)	$ 4,067	$ 7,701	$(1,958)	$ 5,743

(1) Amounts are net of deferred origination costs/ (fees) and the allowance for loan loss, and include loans held for sale.
(2) The above table is presented on a tax equivalent basis.

The net interest margin declined to 3.52% in 2012 compared to 3.97% for the year ended December 31, 2011 and 4.22% in 2010. The decrease in 2012 and 2011 was primarily the result of the historically low market interest rates which was partly offset by strong core deposit growth and higher loan demand. The total average interest earning assets in 2012 increased $258.3 million or 23.1% over 2011 levels, yielding 4.07% and the overall funding cost was 0.57%, including demand deposits. The yield on interest earning assets decreased approximately 59 basis points which was partly offset by a decrease in the cost of interest bearing liabilities of approximately 17 basis points during 2012 compared to 2011. The increase in average total deposits of $190.4 million partially funded average lowering yielding securities of $162.6 million, and average net loans grew $116.6 million from the comparable 2011 levels.

Net interest income was $47.0 million in 2012 compared to $42.8 million in 2011 and $37.2 million in 2010. The increase in net interest income of $4.1 million or 9.7% as compared to 2011, and the increase in net interest income of $5.7 million or 15.2% in 2011 as compared to 2010, primarily resulted from the effect of the increase in the volume of average total interest earning assets and the decrease in the cost of average total interest bearing liabilities being greater than the effect of the increase in volume of average total interest bearing liabilities and the decrease in yield on average total interest earning assets.

Average total interest earning assets grew by $258.3 million or 23.1% to $1.4 billion in 2012 compared to $1.1 billion in 2011. During this period, the yield on average total interest earning assets decreased to 4.07% from 4.66%. Average total interest earning assets grew by $202.0 million or 22.1% to $1.1 billion in 2011 compared to $914.3 million in 2010. During this period, the yield on average total interest earning assets decreased to 4.66% from 5.07%.

For the year ended December 31, 2012, average loans grew by $116.6 million or 21.0% to $671.1 million as compared to $554.5 million in 2011 and increased $209.8 million or 45.5% compared to $461.3 million in 2010. 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 year ended December 31, 2012, average total investments increased by $162.6 million or 31.7% to $675.6 million as compared to $513.0 million in 2011 and increased $245.1 million or 56.9% as compared to $430.5 million in 2010 levels. To position the balance sheet for the future and better manage capital, liquidity and interest rate risk, a portion of the available for sale investment securities portfolio was sold during 2012, 2011 and 2010 resulting in a net gain of $2.6 million, $0.1 million and $1.3 million, respectively. There were no federal funds sold in 2012 and 2011 compared to average federal funds sold of $1.8 million in 2010. The zero balance in the average federal funds sold in 2012 and 2011 was offset by average interest earning cash balances of $27.8 million in 2012, $48.8 million in 2011 and $20.8 million in 2010.

Average total interest bearing liabilities were $963.9 million in 2012 compared to $805.9 million in 2011 and $665.2 million in 2010. The Bank grew deposits in 2012 as a result of opening one branch in 2012 and three new branches during 2010, building new relationships in existing markets and the HSB merger which was completed during 2011. During 2012, the Bank reduced interest rates on deposit products through prudent management of deposit pricing. The reduction in deposit rates resulted in a decrease in the cost of interest bearing liabilities to 0.78% for 2012 compared to 0.95% for 2011 and 1.16% for 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 year ended December 31, 2012, average total deposits increased by $190.4 million or 17.8% to $1.26 billion as compared to average total deposits of $1.07 billion for the year ended December 31, 2011. Components of this increase include an increase in average demand deposits for 2012 of $71.4 million or 24.3% to $366.0 million as compared to a $294.6 million in average demand deposits for 2011 and increased by $127.3 million or 53.3% compared to $238.7 million in average demand deposits for 2010. The average balances in savings, NOW and money market accounts increased $105.5 million or 17.2% to $718.6 million for the year ended December 31, 2012 compared to $613.1 million for the same period last year and increased $237.9 million or 49.5% over 2010 levels of $480.6 million. Average balances in certificates of deposit of $100,000 or more and other time deposits increased $13.5 million or 8.5% to $172.6 million for 2012 as compared to 2011 and increased $26.2 million or 17.9% in 2011 as compared to 2010. Average public fund deposits comprised 17.3% of total average deposits during 2012, 18.2% in 2011 and 18.8% in 2010. Average federal funds purchased and repurchase agreements together with average Federal Home Loan Bank term advances increased $39.0 million or 220.9% for the year ended December 31, 2012 as compared to average balances for 2011 and decreased $4.5 million or 20.2% for the year ended December 31, 2011 as compared to average balances for the same period in the prior year.

Total interest income increased to $54.5 million in 2012 from $50.4 million in 2011 and $44.9 million in 2010, an increase of 8.1% during 2012 from 2011 and a 12.3% increase during 2011 from 2010. The ratio of interest earning assets to interest bearing liabilities increased to 142.6% in 2012 as compared to 138.5% in 2011 and 137.5% in 2010. Interest income on loans increased $4.8 million in 2012 over 2011 and $5.2 million in 2011 over 2010 primarily due to growth in the loan portfolio. The yield on average loans was 6.0% for 2012, 6.4% for 2011 and 6.6% for 2010.

Interest income on investments in mortgage-backed, tax exempt and taxable securities decreased $0.7 million or 4.6% in 2012 to $14.2 million from $14.9 million in 2011 and increased $0.3 million or 1.7% in 2011 from $14.6 million in 2010. Interest income on securities included net amortization of premiums on securities of $5.6 million in 2012 compared to net amortization of premiums on securities of $2.4 million in 2011 and net amortization of premiums on securities of $1.5 million in 2010. The tax adjusted average yield on total securities decreased to 2.3% in 2012 from 3.2% in 2011 and 3.7% in 2010.

Total interest expense remained flat at $7.6 million as compared to 2011 and decreased $0.1 million or 1.6% to $7.6 million in 2011 from $7.7 million in 2010 as a result of prudent management of deposit pricing. The cost of average interest bearing liabilities was 0.78% in 2012, 0.95% in 2011, and 1.16% in 2010.

Provision for Loan Losses

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

Loans of approximately $53.6 million or 6.7% of total loans at December 31, 2012 were categorized as classified loans compared to $57.7 million or 9.4% at December 31, 2011 and $43.9 million or 8.7% at December 31, 2010. Classified loans include loans with

credit quality indicators with the internally assigned grades of special mention, substandard and doubtful. These loans are categorized as classified 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 at least quarterly. The decrease in the 2012 levels of classified loans reflects the current economic environment. The higher classified loans as of December 31, 2011 primarily related to a $15.2 million increase in the special mention category as well as acquired classified loans from the HSB merger.

At December 31, 2012, approximately $34.1 million of these loans were commercial real estate ("CRE") loans which were well secured with real estate as collateral. Of the $34.1 million of CRE loans, $32.4 million were current and $1.7 million were past due. In addition, all but $2.1 million of the CRE loans have personal guarantees. At December 31, 2012, approximately $5.6 million of classified loans were residential real estate loans with $3.4 million current and $2.2 million past due. Commercial, financial, and agricultural loans represented $10.3 million of classified loans and $9.8 million was current and $0.5 million was past due. Approximately $3.5 million of classified loans represented real estate construction and land loans, which were all current. All real estate construction and land loans are well secured with collateral. The remaining $0.1 million in classified loans are consumer loans that are unsecured and current, have personal guarantees and demonstrate sufficient cash flow to pay the loans. Due to the structure and nature of the credits, we do not expect to sustain a material loss on these relationships.

CRE loans, including multi-family loans, represented $398.9 million or 50.0% of the total loan portfolio at December 31, 2012 compared to $305.3 million or 49.9% at December 31, 2011 and $245.3 million or 48.7% at December 31, 2010. The Bank's underwriting standards for CRE loans requires an evaluation of the cash flow of the property, the overall cash flow of the borrower and related guarantors as well as the value of the real estate securing the loan. In addition, the Bank's underwriting standards for CRE loans are consistent with regulatory requirements with original loan to value ratios generally less than or equal to 75%. The Bank considers charge-off history, delinquency trends, cash flow analysis, and the impact of the local economy on commercial real estate values when evaluating the appropriate level of the allowance for loan losses. Real estate values in our geographic markets increased significantly from 2000 through 2007. Commencing in 2008, following the financial crisis and significant downturn in the economy, real estate values began to decline. This decline continued into 2009 and appears to have stabilized in 2010. The estimated decline in residential and commercial real estate values range from 15-20% from the 2007 levels, depending on the nature and location of the real estate.

As of December 31, 2012 and December 31, 2011, the Company had impaired loans as defined by FASB ASC No. 310, "Receivables" of $8.2 million and $9.0 million, respectively. For a loan to be considered impaired, management determines after review whether it is probable that the Bank will not be able to collect all amounts due according to the contractual terms of the loan agreement. 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. 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.

Nonaccrual loans decreased $0.9 million to $3.3 million or 0.41% of total loans at December 31, 2012 from $4.2 million or 0.68% of total loans at December 31, 2011. Approximately $1.0 million of the nonaccrual loans at December 31, 2012 and $2.0 million at December 31, 2011, represent troubled debt restructured loans. As of December 31, 2012 two of the borrowers with loans totaling $0.3 million are complying with the modified terms of the loans and are currently making payments. Another borrower with loans totaling $0.7 million is currently in default and foreclosure proceedings have been initiated. The decrease in nonaccrual troubled debt restructured loans at December 31, 2012 was primarily due to one loan totaling $0.3 million where the borrower has made six months of consecutive payments in accordance with the restructured terms and the loan is now a performing trouble debt restructure loan. In addition, one loan had $0.7 million in charge-offs in 2012. Nonaccrual troubled debt restructured loans are secured with collateral that has an appraised value of $2.7 million. In 2011, nonaccrual loans decreased $2.5 million to $4.2 million from $6.7 million in 2010. Approximately $2.0 million of the nonaccrual loans at December 31, 2011 represented troubled debt restructured loans where two of the borrowers with loans totaling $0.5 million were complying with the modified terms of the loans and were currently making payments. Another borrower with loans totaling $1.5 million was past due but making payments. Furthermore, the Bank had no commitment to lend additional funds to these debtors.

In addition, the Company has six borrowers with performing TDR loans of $5.0 million at December 31, 2012 that are current and secured with collateral that has an appraised value of approximately $12.3 million. At December 31, 2011, the Company had four borrowers with TDR loans of $4.9 million that were current and secured with collateral that had an appraised value of approximately $11.5 million. 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 these debtors. Two of the loans were restructured during the third quarter of 2012, one of the loans in the second quarter of 2012 and one loan in the first quarter of 2012 and since that time the interest income recognized has been immaterial. The fifth loan was restructured during the

third quarter 2011 and since that time $0.08 million of interest income has been recognized. The sixth loan was restructured during the third quarter of 2008 and since that time $0.5 million of interest income has been recognized.

The Bank had $0.3 million of foreclosed real estate owned at December 31, 2012 and had none at December 31, 2011 and 2010, respectively.

Net charge-offs were $1.4 million for the year ended December 31, 2012 compared to $1.6 million for the year ended December 31, 2011 and $1.0 for the year ended December 31, 2010. The ratio of allowance for loan losses to nonaccrual loans was 439%, 260% and 126%, at December 31, 2012, 2011, and 2010, respectively.

Based on our continuing review of the overall loan portfolio, the current asset quality of the portfolio, the growth in the loan portfolio and the net charge-offs, a provision for loan losses of $5.0 million was recorded in 2012 as compared to $3.9 million in 2011 and $3.5 million in 2010. The allowance for loan losses increased to $14.4 million at December 31, 2012 as compared to $10.8 million at December 31, 2011 and $8.5 million at December 31, 2010. As a percentage of total loans, the allowance was 1.81%, 1.77% and 1.69% at December 31, 2012, 2011 and 2010, respectively. In accordance with current accounting guidance, the acquired HSB loans were recorded at fair value, effectively netting estimated future losses against the loan balances. Management continues to carefully monitor the loan portfolio as well as real estate trends in Suffolk County and eastern Long Island. 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:

December 31,	**2012**	2011	2010	2009	2008
(Dollars in thousands)					
Allowance for loan losses balance at beginning of period	**$ 10,837**	$ 8,497	$ 6,045	$ 3,953	$ 2,954
Charge-offs:					
Commercial real estate mortgage loans	**—**	—	73	47	—
Multi-family loans	**—**	—	—	—	—
Residential real estate mortgage loans	**1,210**	259	20	653	480
Commercial, financial and agricultural loans	**285**	372	879	1,098	534
Real estate construction and land loans	**—**	864	—	240	—
Installment/consumer loans	**15**	186	148	55	56
Total	**1,510**	1,681	1,120	2,093	1,070
Recoveries:					
Commercial real estate mortgage loans	**—**	—	—	—	—
Multi-family loans	**—**	—	—	—	—
Residential real estate mortgage loans	**7**	6	4	6	—
Commercial, financial and agricultural loans	**83**	96	56	28	53
Real estate construction and land loans	**—**	—	—	—	—
Installment/consumer loans	**22**	19	12	1	16
Total	**112**	121	72	35	69
Net charge-offs	**(1,398)**	(1,560)	(1,048)	(2,058)	(1,001)
Provision for loan losses charged to operations	**5,000**	3,900	3,500	4,150	2,000
Balance at end of period	**$ 14,439**	$ 10,837	$ 8,497	$ 6,045	$ 3,953
Ratio of net charge-offs during period to average loans outstanding	**(0.21%)**	(0.28%)	(0.22%)	(0.47%)	(0.25%)

Allocation of Allowance for Loan Losses

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

Years Ended December 31,	2012		2011		2010		2009		2008	
(Dollars in thousands)	**Amount**	**Percentage of Loans to Total Loans**	Amount	Percentage of Loans to Total Loans	Amount	Percentage of Loans to Total Loans	Amount	Percentage of Loans to Total Loans	Amount	Percentage of Loans to Total Loans
Commercial real estate mortgage loans	**$ 4,445**	**41.7%**	$ 3,530	46.4%	$ 3,310	46.9%	$ 2,529	44.6%	$ 1,718	43.4%
Multi-family loans	**1,239**	**8.3**	395	3.5	133	1.8	36	1.0	41	1.1
Residential real estate mortgage loans	**2,803**	**18.0**	2,280	23.1	1,642	28.0	1,781	27.5	1,158	29.3
Commercial, financial and agricultural loans	**4,349**	**24.7**	2,895	19.0	2,804	19.4	1,083	20.9	699	17.7
Real estate construction and land loans	**1,375**	**6.1**	1,465	6.6	185	2.0	346	4.3	268	6.8
Installment/consumer loans	**228**	**1.2**	272	1.4	423	1.9	270	1.7	69	1.7
Total	**$ 14,439**	**100.0%**	$ 10,837	100.0%	$ 8,497	100.0%	$ 6,045	100.0%	$ 3,953	100.0%

Non Interest Income

Total non interest income increased by $3.8 million or 53.6% in 2012 to $10.7 million and decreased by $0.5 million or 6.5% in 2011 to $6.9 million as compared to $7.4 million in 2010. The increase in total non interest income in 2012 compared to 2011 was primarily the result of $2.5 million increase in net securities gains recognized for 2012 compared to the same period last year. Title fee income related to Bridge Abstract increased $0.6 million or 60.9% to $1.6 million for 2012 compared to $1.0 million for the same period in 2011. Fees for other customer services were $3.0 million and represented an increase of $0.4 million or 15.9% from $2.6 million for the same period last year, related to higher electronic banking and investment services income. Service charges on deposit accounts increased $0.2 million or 5.6% to $3.3 million for 2012 compared to $3.1 million for the same period in 2011. The decrease in total non interest income in 2011 compared to 2010 was due to a decrease in net securities gains of $1.2 million and a decrease in revenues from the title insurance abstract subsidiary, Bridge Abstract, of $0.1 million, partially offset by an increase in service charges on deposit accounts of $0.4 million and an increase of $0.4 million in fees for other customer services.

Net securities gains of $2.6 million were recognized in 2012 compared to net securities gains of $0.1 million and $1.3 million recognized in 2011 and 2010, respectively. The sales of securities were due to repositioning of the available for sale investment portfolio. Bridge Abstract, the Bank's title insurance abstract subsidiary, generated title fee income of $1.6 million in 2012, $1.0 million in 2011, and $1.1 million in 2010, respectively. The increase of $0.6 million or 60.9% in 2012 compared to 2011 was directly dependent on the number and average value of transactions processed by the subsidiary.

Service charges on deposit accounts for the year ended December 31, 2012 totaled $3.3 million, an increase of $0.2 million as compared to 2011. For the year ended December 31, 2011, service charges on deposit accounts totaled $3.1 million, an increase of $0.4 million as compared to 2010. These increases primarily represented higher overdraft fees. Fees from other customer services increased $0.4 million or 15.9% to $3.0 million in 2012 as compared to $2.6 million in 2011. Fees from other customer services increased $0.4 million or 18.0% to $2.6 million in 2011 as compared to $2.2 million in 2010. These increases were predominately due to higher electronic banking and investment services.

Other operating income for the year ended December 31, 2012 totaled $0.1 million in line with 2011 and 2010.

Non Interest Expense

Total non interest expense increased $3.0 million or 9.5% to $33.8 million in 2012 compared to $30.8 million over the same period in 2011 and increased $2.9 million or 10.6% in 2011 from $27.9 million in 2010. The primary components of these increases were higher salaries and employees benefits, occupancy and equipment, marketing and advertising, extinguishment of debt, other operating expenses and amortization of core deposit intangible partially offset by lower professional services and FDIC assessments. Additionally during 2011, acquisition costs of $0.8 million were incurred related to the HSB merger.

Salaries and benefits increased $2.7 million or 14.8% to $20.7 million in 2012 as compared to $18.0 million in 2011 and increased $2.0 million or 12.9% from $16.0 million as of December 31, 2010. The increases in salary and benefits reflect additional positions to support the Company's expanding infrastructure, new branches and a larger loan portfolio, and the related employee benefit costs, particularly pension expense.

Occupancy and equipment increased $0.2 million or 3.7% to $4.5 million compared to $4.3 million in 2011 and increased $0.3 million or 8.8% from $4.0 million in 2010. Marketing and advertising expense increased $0.3 million or 23.3% to $1.6 million in 2012 from $1.3 million in 2011 and increased $0.2 million or 16.7% from $1.1 million in 2010. Higher occupancy and equipment expense and

marketing and advertising expense in 2012 and 2011 relates to the Company's increased branch network. Professional services decreased $0.2 million or 14.5% to $1.0 million in 2012 from $1.2 million in 2011 and increased $0.1 million or 5.8% in 2011 from $1.1 million in 2010. Data/item processing expense was $0.6 million and remained in line with 2011 and 2010 levels. FDIC assessments remained at $0.8 million as compared to 2011 and decreased $0.5 to $0.8 million from $1.3 million or 35.2% in 2011 from 2010. For 2011 the Company incurred acquisition costs of $0.8 million and recorded amortization of core deposit intangibles of $0.04 million in connection with the HSB merger. Amortization of core deposit intangibles was $0.07 million in 2012.

Cost on Extinguishment of debt for 2012 was $0.2 million related to the prepayment of a $5 million repurchase agreement. Other operating expenses increased $0.6 million or 10.2% to $6.2 million compared to $5.6 million in 2011 and remained at $5.6 in 2011 compared to 2010.

Income Tax Expense

Income tax expense for December 31, 2012 was $6.1 million representing an increase of $1.4 million from 2011. Income tax expense for 2011 was $4.7 million representing and increase of $0.6 million from 2010. The increase in 2012 was due to an increase in income before income taxes of $3.9 million to $18.9 million from $15.0 million in 2011. The effective tax rate was 32.3% for the year ended December 31, 2012 compared to 31.0% for the year ended December 31, 2011. The increase was related to a lower percentage of interest income from tax exempt securities. The effective tax rate for the year ended December 31, 2010 was 30.6%. The increase in the effective tax rate for 2011 compared to 2010 was related to nondeductible acquisition costs related to the HSB merger.

FINANCIAL CONDITION

The assets of the Company totaled $1.62 billion at December 31, 2012, an increase of $287.3 million or 21.5% from the previous year-end with growth funded by deposits, borrowings and capital. This increase reflects strong organic growth in new and existing markets.

Cash and due from banks increased $20.9 million or 80.8% to $46.9 million compared to December 2011 levels and interest earning deposits with banks decreased $49.2 million or 91.8% as funds were invested in loan and securities. Total securities increased $129.2 million or 21.2% to $739.8 million and net loans increased $182.7 million or 30.4% to $784.0 million compared to December 2011 levels. There were no loans held for sale in 2012 compared to loans held for sale in 2011 of $2.3 million. Loans held for sale in 2011 represented one relationship with two loans that was sold in January 2012 and recorded previously as nonaccrual troubled debt restructured loans. The ability to grow the investment and loan portfolios, while minimizing interest rate risk sensitivity and maintaining credit quality remains a strong focus of management. Goodwill of $2.0 million and core deposit intangible of $0.3 million were recorded in 2011 in connection with the HSB merger. Core deposit intangible decreased $0.1 to $0.2 million in 2012 compared to $0.3 million in 2011. Total deposits grew $221.1 million to $1.41 billion at December 31, 2012 compared to $1.19 billion at December 2011. The deposit growth occurred in all markets and included both new commercial and consumer relationships. Demand deposits increased $207.7 million to $529.2 million as of December 31, 2012 compared to $321.5 million at December 31, 2011. Savings, NOW and money market deposits increased $39.0 million to $722.9 million at December, 2012 from $683.9 million at December 31, 2011. Certificates of deposit of $100,000 or more decreased $21.9 million to $118.7 million at December 31, 2012 from $140.6 million at December 31, 2011. Other time deposits decreased $3.7 million to $38.5 million as of December 31, 2012 from $42.2 at December 31, 2011.

Fed funds purchased and Federal Home Loan Bank overnight borrowings at December 31, 2012 were $44.5 million. There were no Federal Funds purchased and Federal Home Loan Bank overnight borrowings for 2011. Federal Home Loan Bank term advances were $15.0 million for December 31, 2012. There were no Federal Home Loan Bank term advances for December 31, 2011. Repurchase agreements decreased $4.5 million to $12.4 million or 26.7% compared to $16.9 million as of December 31, 2011. Other liabilities and accrued expenses decreased $0.4 million to $8.7 million as of December 31, 2012 from $9.1 million as of December 31, 2011 due to decreases in deferred taxes.

Stockholders' equity was $118.7 million at December 31, 2012, an increase of $11.7 million or 10.9% from December 31, 2011, reflecting the proceeds from the issuance of shares of common stock under the Dividend Reinvestment Plan of $10.5 million, share based compensation of $1.3 million, an increase in the pension liability of $0.3 million, and net income of $12.8 million, partially offset by $9.9 million in declared cash dividends and a decrease in the unrealized gains in securities of $3.0 million. In December 2012, due to the likelihood of a change in the tax rates on dividends beginning in 2013, the Company decided to accelerate the timing of the payment of the Company's fourth quarter dividend to shareholders of $0.23 per share into calendar year 2012 resulting in five dividend payments in 2012. This continues the Company's long term trend of uninterrupted dividends.

Loans

During 2012, the Company continued to experience growth trends in commercial and residential real estate lending. The concentration of loans in our primary market areas may increase risk. Unlike larger banks that are more geographically diversified, 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 in Suffolk County which is located on eastern Long Island. The local economic conditions on eastern Long Island have a significant impact on the volume of loan originations and the quality of our loans, the ability of borrowers to repay these loans, and the value of collateral securing these loans. A considerable decline in the general economic conditions caused by inflation, recession, unemployment or other factors beyond the Company's control would impact these local economic conditions and could negatively affect the financial results of the Company's operations. Additionally, while the Company has a significant amount of commercial real estate loans, the majority of which are owner-occupied, decreases in tenant occupancy may also have a negative effect on the ability of borrowers to make timely repayments of their loans, which would have an adverse impact on the Company's earnings.

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.

The Bank targets its business lending and marketing initiatives towards promotion of loans that primarily meet the needs of small to medium-sized businesses. These small to medium-sized businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact these businesses, the results of operations and financial condition may be adversely affected.

With respect to the underwriting of loans, there are certain risks, including the risk of non-payment that is associated with each type of loan that the Bank markets. Approximately 74.1% of the Bank's loan portfolio at December 31, 2012 is secured by real estate. Approximately 41.7% of the Bank's loan portfolio is comprised of commercial real estate loans. Multifamily loans represent 8.3% of the Bank's loan portfolio. Residential real estate mortgage loans represent 18.0% of the Bank's loan portfolio and include home equity lines of credit of approximately 8.5% and residential mortgages of approximately 9.5% of the Bank's loan portfolio. Real estate construction and land loans comprise approximately 6.1% of the Bank's loan portfolio. Risks associated with a concentration in real estate loans include potential losses from fluctuating values of land and improved properties. Home equity loans represent loans originated in the Bank's geographic markets with original loan to value ratios generally of 75% or less. The Bank's residential mortgage portfolio includes approximately $2.0 million in interest only mortgages. The underwriting standards for interest only mortgages are consistent with the remainder of the loan portfolio and do not include any features that result in negative amortization. The largest loan concentrations by industry are loans granted to lessors of commercial property both owner occupied and non-owner occupied. The Bank uses conservative underwriting criteria to better insulate itself from a downturn in real estate values and economic conditions on eastern Long Island that could have a significant impact on the value of collateral securing the loans as well as the ability of customers to repay loans.

The remainder of the loan portfolio is comprised of commercial and consumer loans, which represent approximately 25.9% of the Bank's loan portfolio. The primary risks associated with commercial loans are the cash flow of the business, the experience and quality of the borrowers' management, the business climate, and the impact of economic factors. The primary risks associated with consumer loans relate to the borrower, such as the risk of a borrower's unemployment as a result of deteriorating economic conditions or the amount and nature of a borrower's other existing indebtedness, and the value of the collateral securing the loan if the Bank must take possession of the collateral. Consumer loans also have risks associated with concentrations of specific types of consumer loans within the portfolio.

The Bank's policy for charging off loans is a multi-step process. A loan is considered a potential charge-off when it is in default of either principal or interest for a period of 90, 120 or 180 days, depending upon the loan type, as of the end of the prior month. In addition to date criteria, other triggering events may include, but are not limited to, notice of bankruptcy by the borrower or guarantor, death of the borrower, and deficiency balance from the sale of collateral. These loans identified are presented for evaluation at the regular meeting of the Credit Risk Committee. A loan is charged off when a loss is reasonably assured. The recovery of charged-off balances is actively pursued until the potential for recovery has been exhausted, or until the expense of collection does not justify the recovery efforts.

Total loans grew $186.3 million or 30.4%, during 2012 and $110.4 million or 21.9% during 2011. Average net loans grew $116.6 million or 21.0% during 2012 over 2011 and $93.2 million or 20.2% during 2011 when compared to 2010. Real estate mortgage loans were the largest contributor of the growth for both 2012 and 2011 and increased $96.2 million or 21.6% and $60.1 million or 15.6%, respectively. Commercial real estate mortgage loans grew $48.9 million or 17.2% during 2012 and multi-family mortgage loans grew $44.7 million or 208.8% during 2012. Commercial, financial and agricultural loans increased $81.1 million or 69.7% in 2012 from 2011 and increased $18.7 million or 19.1% in 2011 from 2010. Real estate construction and land loans increased $8.1 million or 20.0% in 2012 and increased $30.6 million or 308.4% in 2011. Installment/consumer loans increased $0.6 million or 7.0% in 2012 and decreased $1.1 million or 11.3% during 2011. Fixed rate loans represented 31.7%, 27.0% and 27.7% of total loans at December 31, 2012, 2011, and 2010, respectively.

The following table sets forth the major classifications of loans:

December 31,	**2012**	2011	2010	2009	2008
(In thousands)					
Commercial real estate mortgage loans	**$ 332,782**	$ 283,917	$ 236,048	$ 199,712	$ 186,543
Multi-family loans	**66,080**	21,402	9,217	4,447	4,503
Residential real estate mortgage loans	**143,703**	141,027	140,986	123,013	125,813
Commercial, financial and agricultural loans	**197,448**	116,319	97,663	93,682	75,919
Real estate construction and land loans	**48,632**	40,543	9,928	19,347	29,094
Installment/consumer loans	**9,167**	8,565	9,659	7,352	7,545
Total loans	**797,812**	611,773	503,501	447,553	429,417
Net deferred loan costs and fees	**634**	370	559	485	266
	798,446	612,143	504,060	448,038	429,683
Allowance for loan losses	**(14,439)**	(10,837)	(8,497)	(6,045)	(3,953)
Net loans	**$ 784,007**	$ 601,306	$ 495,563	$ 441,993	$ 425,730

Selected Loan Maturity Information

The following table sets forth the approximate maturities and sensitivity to changes in interest rates of certain loans, exclusive of real estate mortgage loans and installment/consumer loans to individuals as of December 31, 2012:

	Within One Year	After One But Within Five Years	After Five Years	Total
(In thousands)				
Commercial loans	$ 51,903	$ 69,653	$ 75,892	$ 197,448
Construction and land loans [(1)]	33,562	5,575	9,495	48,632
Total	$ 85,465	$ 75,228	$ 85,387	$ 246,080
Rate provisions:				
Amounts with fixed interest rates	$ 16,956	$ 57,438	$ 28,103	$ 102,497
Amounts with variable interest rates	68,509	17,790	57,284	143,583
Total	$ 85,465	$ 75,228	$ 85,387	$ 246,080

(1) Included in the “After Five Years” column, are one-step construction loans that contain a preliminary construction period (interest only) that automatically converts to amortization at the end of the construction phase.

Past Due, Nonaccrual and Restructured Loans

The following table sets forth selected information about past due, nonaccrual, restructured loans and other real estate owned:

December 31,	**2012**	2011	2010	2009	2008
(In thousands)					
Loans 90 days or more past due and still accruing	**$ 491**	$ 411	$ —	$ —	$ —
Nonaccrual loans	**2,262**	2,156	1,997	1,001	3,068
Restructured loans - Nonaccrual	**1,027**	2,004	4,728	4,890	—
Restructured loans - Performing	**5,039**	4,904	3,219	3,229	3,229
Other real estate owned, net	**250**	—	—	—	—
Total	**$ 9,069**	$ 9,475	$ 9,944	$ 9,120	$ 6,297

Years Ended December 31,	**2012**	2011	2010	2009	2008
(In thousands)					
Gross interest income that has not been paid or recorded during the year under original terms:					
Nonaccrual loans	**$ 155**	$ 122	$ 123	$ 52	$ 127
Restructured loans	**84**	436	255	189	12
Gross interest income recorded during the year:					
Nonaccrual loans	**$ 33**	$ 41	$ 17	$ 37	$ 189
Restructured loans	**226**	241	105	288	238
Commitments for additional funds	**—**	—	—	—	—

The following table sets forth impaired loans by loan type:

December 31,	**2012**	2011	2010	2009	2008
(In thousands)					
Nonaccrual loans:					
Commercial real estate mortgage loans	**$ 492**	$ 449	$ 228	$ 324	$ —
Multi-family loans	—	—	—	—	—
Residential real estate mortgage loans	**1,496**	1,156	1,397	511	426
Commercial, financial and agricultural loans	**193**	260	—	61	96
Real estate construction and land loans	—	250	250	—	2,540
Installment/consumer loans	—	—	82	105	6
Total	**2,181**	2,115	1,957	1,001	3,068
Restructured loans - Nonaccrual:					
Commercial real estate mortgage loans	—	—	—	—	—
Multi-family loans	—	—	—	—	—
Residential real estate mortgage loans	**717**	1,786	2,037	2,120	—
Commercial, financial and agricultural loans	**310**	218	—	—	—
Real estate construction and land loans	—	—	2,686	2,770	—
Installment/consumer loans	**—**	—	—	—	—
Total	**1,027**	2,004	4,723	4,890	—
Total Non-performing impaired loans	**3,208**	4,119	6,680	5,891	3,068
Restructured loans - Performing:					
Commercial real estate mortgage loans	**4,284**	4,630	3,186	3,229	3,229
Multi-family loans	**—**	—	**—**	**—**	**—**
Residential real estate mortgage loans	**336**	—	**—**	**—**	—
Commercial, financial and agricultural loans	**380**	274	**—**	—	—
Real estate construction and land loans	**—**	—	**—**	**—**	**—**
Installment/consumer loans	**—**	—	**—**	—	—
Total	**5,000**	4,904	3,186	3,229	3,229
Total Impaired Loans	**$ 8,208**	$ 9,023	$ 9,866	$ 9,120	$ 6,297

Restructured loans totaled $6.0 million and $6.9 million as of December 31, 2012 and December 31, 2011, respectively.

Securities

Total securities increased to $739.8 million at December 31, 2012 from $610.6 million at December 31, 2011. The available for sale portfolio increased 19.9% to $529.1 million from $441.4 million at December 31, 2011. Securities held as available for sale may be sold in response to, or in anticipation of, changes in interest rates and resulting prepayment risk, or other factors. Residential mortgage-backed securities decreased by $50.4 million at December 31, 2012 while U.S. government sponsored entity ("U.S. GSE") securities increased by $46.8 million, residential collateralized mortgage obligations increased by $47.1 million, state and municipal obligations increased by $5.7 million, commercial mortgage-backed securities increased by $3.1 million, commercial collateralized mortgage obligations increased by $4.1 million, non-agency commercial mortgage-backed securities increased by $5.0 million, and other asset backed securities increased by $26.1 million. Securities held to maturity increased 24.6% to $210.7 million at December 31, 2012 compared to $169.2 million at December 31, 2011. State and municipal obligations held to maturity decreased by $5.6 million, while U.S. GSE securities increased by $5.0 million, residential mortgage-backed securities increased by $9.5 million, residential collateralized mortgage obligations increased by $17.3 million, commercial mortgage-backed securities increased by $10.3 million and commercial collateralized mortgage obligations increased by $5.0 million. Fixed rate securities represented 93.4% of total securities at December 31, 2012 compared to 91.5% at December 31, 2011. Residential collateralized mortgage obligations represented approximately 42.8% of the available for sale balance at December 31, 2012 as compared to 40.6% at the prior year-end. To position the balance sheet for the future and better manage capital, liquidity and interest rate risk, a portion of the available for sale investment securities portfolio was sold during 2012 and 2011 resulting in a net gain of $2.6 million and $0.1 million, respectively. The sale of securities and the change in market rates were the primary reasons for the net decrease in unrealized gains in securities available for sale which decreased other comprehensive income.

The following table sets forth the fair value, amortized cost, maturities and approximated weighted average yield at December 31, 2012. 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. Yields on tax-exempt obligations have been computed on a tax-equivalent basis.

December 31, 2012 (Dollars in thousands)	Within One Year			After One But Within Five Years			After Five But Within Ten Years			After Ten Years			Total	
	Fair Value Amount	Amortized Cost Amount	Yield	Fair Value Amount	Amortized Cost Amount	Yield	Fair Value Amount	Amortized Cost Amount	Yield	Fair Value Amount	Amortized Cost Amount	Yield	Fair Value Amount	Amortized Cost Amount
Available for sale:														
US GSE securities	$ —	$ —	—%	$ 568	$ 539	4.71%	$137,880	$ 137,824	1.83%	$ 40,004	$ 40,058	1.90%	$ 178,452	$ 178,421
State and municipal obligations	16,160	16,123	2.44	38,099	37,165	3.22	5,227	5,123	3.14	477	456	5.49	59,963	58,867
US GSE Residential mortgage-backed securities	—	—	—	568	533	3.78	9,831	9,314	3.47	10,198	9,615	3.57	20,597	19,462
US GSE Residential collateralized mortgage obligations	—	—	—	—	—	—	15,401	15,422	1.42	211,045	208,804	1.50	226,446	224,226
US GSE Commercial mortgage-backed securities	—	—	—	—	—	—	3,138	3,132	2.11	—	—	—	3,138	3,132
US GSE Commercial collateralized mortgage obligations	—	—	—	—	—	—	—	—	—	9,357	9,079	2.26	9,357	9,079
Non Agency Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	4,989	4,754	2.61	4,989	4,754
Other Asset backed securities	—	—	—	—	—	—	7,971	7,996	2.54	18,157	18,592	1.78	26,128	26,588
Total available for sale	16,160	16,123	2.44	39,235	38,237	3.25	179,448	178,811	1.95	294,227	291,358	1.69	529,070	524,529
Held to maturity:														
US GSE securities	$ —	$ —	—%	$ —	$ —	—%	$ 5,016	$ 4,992	2.65%	$ —	$ —	—%	$ 5,016	$ 4,992
State and municipal obligations	50,390	50,362	1.19	25,459	25,058	2.68	6,756	6,270	4.22	18,357	17,062	5.52	100,962	98,752
US GSE Residential mortgage-backed securities	—	—	—	—	—	—	—	—	—	9,509	9,483	1.19	9,509	9,483
US GSE Residential collateralized mortgage obligations	—	—	—	—	—	—	780	751	5.05	58,908	58,637	1.14	59,688	59,388
US GSE Commercial mortgage-backed securities	—	—	—	—	—	—	10,674	10,324	2.57	—	—	—	10,674	10,324
US GSE Commercial collateralized mortgage obligations	—	—	—	—	—	—	—	—	—	5,229	4,975	2.96	5,229	4,975
Corporate Bonds	—	—	—	22,624	22,821	1.81	—	—	—	—	—	—	22,624	22,821
Total held to maturity	50,390	50,362	1.19	48,083	47,879	2.27	23,226	22,337	3.13	92,003	90,157	2.07	213,702	210,735
Total securities	$ 66,550	$ 66,485	1.49%	$ 87,318	$ 86,116	2.70%	$202,674	$ 201,148	2.09%	$386,230	$ 381,515	1.78%	$ 742,772	$ 735,264

Deposits and Borrowings

Borrowings including Fed funds purchased, repurchase agreements and junior subordinated debentures, increased $55.0 million to $87.9 million at December 31, 2012 from the prior year-end. Total deposits increased $221.1 million or 18.6% in 2012 as compared to 2011. The growth in deposits is attributable to an increase in individual, partnership and corporate (“core deposits”) account balances of $183.4 million, driven by the opening of one new branch in 2012, three new branches opening during 2010, the building of new relationships in current markets, an increase of $37.7 million in public funds deposits and the acquisition of HSB in 2011. Demand deposits increased $207.7 million or 64.6% and Savings, NOW and money market deposits increased $39.0 million or 5.7% primarily

related to core deposits growth. Certificates of deposit of $100,000 or more decreased $21.9 million or 15.5% from December 31, 2011 and other time deposits decreased $3.7 million or 8.8% as compared to the prior year.

The following table sets forth the remaining maturities of the Bank's time deposits at December 31, 2012:

(In thousands)	Less than $100,000	$100,000 or Greater	Total
3 Months or less	$ 9,177	$ 23,861	$ 33,038
Over 3 through 6 months	6,765	7,810	14,575
Over 6 through 12 months	9,725	62,876	72,601
Over 12 months through 24 months	7,970	12,110	20,080
Over 24 months through 36 months	1,370	3,519	4,889
Over 36 months through 48 months	830	1,752	2,582
Over 48 months through 60 months	2,687	6,796	9,483
Over 60 months	—	—	—
Total	$ 38,524	$ 118,724	$ 157,248

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 Company's principal sources of liquidity included cash and cash equivalents of $5.2 million as of December 31, 2012, 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 2012, the Bank did not pay a cash dividend 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. At December 31, 2012, the Bank had $33.5 million of retained net income available for dividends to the Company. 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. The Company made a capital contribution of $7.0 million to the Bank during the twelve months ended December 31, 2012.

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 loan and investment securities principal repayments and maturities, lines of credit with other financial institutions including the Federal Home Loan Bank and Federal Reserve Bank, growth in core deposits and sources of wholesale funding such as brokered certificates of deposit. 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 full-service 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.

During 2012, 2011 and 2010, the Bank grew its core deposits as well as its level of public funds. The Bank's Asset/Liability and Funds Management Policy allows for wholesale borrowings of up to 25% of total assets. At December 31, 2012, the Bank had aggregate lines of credit of $282.5 million with unaffiliated correspondent banks to provide short term credit for liquidity requirements. Of these aggregate lines of credit, $262.5 million is available on an unsecured basis. As of December 31, 2012, the Bank had $44.5 million in overnight borrowings outstanding under these lines. 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. As of December 31, 2012, the Bank had $15.0 million outstanding in FHLB term borrowings. The Bank had $10.0 million of securities sold under agreements to repurchase outstanding as of December 31, 2012 with brokers and $2.4 million outstanding with customers. As of December 31, 2011, the Bank had $15.0 million of securities sold under agreements to repurchase outstanding with brokers and $1.9 million outstanding with customers. In addition, the Bank has an approved broker relationship for the purpose of issuing brokered certificates of deposit. As of December 31, 2012 and 2011 the Bank had no brokered certificates of deposits.

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 in overnight federal funds sold or in an interest earning account at the Federal Reserve.

CONTRACTUAL OBLIGATIONS

In the ordinary course of operations, the Company enters into certain contractual obligations.

The following represents contractual obligations outstanding at December 31, 2012:

(In thousands)	Total Amounts Committed	Less than One Year	One to Three Years	Four to Five Years	Over Five Years
Operating leases	$ 19,416	$ 1,658	$ 3,466	$ 2,837	$ 11,455
FHLB term advances and repurchase agreements	27,390	17,390	10,000	—	—
Junior subordinated debentures	16,002	—	—	—	16,002
Time deposits	157,248	120,214	24,969	12,065	—
Total contractual obligations outstanding	$ 220,056	$ 139,262	$ 38,435	$ 14,902	$ 27,457

COMMITMENTS, CONTINGENT LIABILITIES, AND OFF-BALANCE SHEET ARRANGEMENTS

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, often including obtaining collateral at exercise of the commitment. At December 31, 2012, the Company had $64.3 million in outstanding loan commitments and $183.2 million in outstanding commitments for various lines of credit including unused overdraft lines. The Company also has $3.8 million of standby letters of credit as of December 31, 2012. See Note 12 of the Notes to the Consolidated Financial Statements for additional information on loan commitments and standby letters of credit.

CAPITAL RESOURCES

Stockholders' equity increased to $118.7 million at December 31, 2012 from $107.0 million at December 31, 2011 as a result of (i) undistributed net income; (ii) the issuance of shares of common stock through the Dividend Reinvestment Plan and the stock based compensation plan; (iii) the change in pension liability under FASB ASC 715-30, net of deferred taxes; (iv) the change in net unrealized appreciation in securities available for sale, net of deferred taxes; and (v) less the declaration of dividends. The ratio of average stockholders' equity to average total assets decreased to 7.49% at year end 2012 from 6.11% at year end 2011.

The Company's capital strength is paralleled by the solid capital position of the Bank, as reflected in the excess of its regulatory capital ratios over the risk-based capital adequacy ratio levels required for classification as a "well capitalized" institution by the FDIC (see Note 14 to the Consolidated Financial Statements). Since 2009, the Company has actively managed its capital position in response to its growth. During this period, the Company has raised capital through the following initiatives:

- In April 2009, the Company implemented a Dividend Reinvestment Plan ("DRP Plan") and filed a registration statement on Form S-3 to register 600,000 shares of common stock with the Securities and Exchange Commission ("SEC") pursuant to the DRP Plan. In April 2010, the Company increased the discount from 3% to 5%, and raised the quarterly optional cash purchase amount to $50,000 under the DRP Plan. Proceeds from the issuance of common stock related to the DRP Plan for the twelve months ended December 31, 2012 and 2011, was $10.5 million and $4.6 million, respectively. Since the inception of the DRP Plan in April 2009 through December 31, 2012, the Company has issued 856,005 shares of common stock and raised $16.8 million in capital.
- In June 2009, the Company filed a shelf registration statement on Form S-3 with the SEC to register up to $50 million of securities for sale from time to time.
- 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 subsidiary, Bridge Statutory Capital Trust II. The TPS have a liquidation amount of $1,000 per security and the TPS shares are convertible into our common stock, at an effective conversion price of $31 per share. The TPS mature in 30 years but are callable by the Company at par any time after September 30, 2014. The Company issued $16.0 million of Junior Subordinated Debentures (the "Debentures") to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. In accordance with current accounting guidance, the trust is not consolidated in the Company's financial statements,

but rather the Debentures are shown as a liability. The Debentures bear interest at a fixed rate equal to 8.50% and mature on December 31, 2039. Consistent with regulatory requirements, the interest payments may be deferred for up to 5 years, and are cumulative. The Debentures have the same prepayment provisions as the TPS. The Debentures may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

- On May 27, 2011, the Company issued 273,479 shares of common stock in connection with the acquisition of Hamptons State Bank, increasing capital by $5.8 million.
- In November 2011, the Company filed a prospectus supplement under which it may from time to time sell up to $10.0 million of its common stock pursuant to an at-the-market equity offering program. During 2011 the Company issued 30,220 shares of common stock and raised $0.6 million in capital under this program.
- On December 20, 2011, the Company raised $24.1 million in capital from the sale of 1,377,000 shares of common stock to selected institutional and other private investors in a registered direct offering under its shelf registration statement.
- On June 27, 2012, the Company filed a shelf registration statement with the SEC on Form S-3 to register up to an additional 800,000 of securities pursuant to the DRP Plan.
- On December 21, 2012, the Company filed a shelf registration statement on Form S-3 to register up to $75 million of securities and a prospectus and prospectus supplement, replacing the previously expired shelf registration statement on Form S-3 filed in June 2009.

The Company has the ability to issue additional common stock and/or preferred stock should the need arise.

The Company had returns on average equity of 11.78%, 14.37%, and 15.29% and returns on average assets of 0.88%, 0.88%, and 0.95%, for the years ended December 31, 2012, 2011, and 2010, respectively. The Company also utilizes cash dividends and stock repurchases to manage capital levels. In 2012, the Company declared five quarterly cash dividends totaling $9.9 million compared to three quarterly cash dividends of $4.6 million in 2011. The dividend payout ratios for 2012 and 2011 were 77.50% and 44.35%, respectively. The Company continues its trend of uninterrupted dividends. On March 27, 2006, the Company approved its stock repurchase plan allowing the repurchase of up to 5% of its then current outstanding shares, 309,000 shares. There is no expiration date for the share repurchase plan. The Company considers opportunities for stock repurchases carefully. The Company did not repurchase any shares in 2012, 2011 or 2010.

IMPACT OF INFLATION AND CHANGING PRICES

The 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.

IMPACT OF PROSPECTIVE ACCOUNTING STANDARDS

For discussion regarding the impact of new accounting standards, refer to Note 1 r) of the notes to Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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 December 31, 2012, $694.0 million or 93.4% 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 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. 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 December 31, 2012:

Change in Interest Rates in Basis Points	2012 Potential Change in Net Interest Income	
	$ Change	% Change
(Dollars in thousands)		
200	$ (899)	(1.83)%
100	$ 467	0.95%
Static	—	—
(100)	$ (338)	(0.69)%

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. 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.

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	December 31, 2012	December 31, 2011
ASSETS		
Cash and due from banks	**$ 46,855**	$ 25,921
Interest earning deposits with banks	**4,394**	53,625
Total cash and cash equivalents	**51,249**	79,546
Securities available for sale, at fair value	**529,070**	441,439
Securities held to maturity (fair value of $213,702 and $170,952, respectively)	**210,735**	169,153
Total securities	**739,805**	610,592
Securities, restricted	**2,978**	1,660
Loans held for sale	**—**	2,300
Loans held for investment	**798,446**	612,143
Allowance for loan losses	**(14,439)**	(10,837)
Loans, net	**784,007**	601,306
Premises and equipment, net	**26,001**	24,171
Accrued interest receivable	**5,436**	4,940
Goodwill	**2,034**	2,034
Core deposit intangible	**249**	316
Other real estate owned	**250**	—
Other assets	**12,704**	10,593
Total Assets	**$ 1,624,713**	$ 1,337,458
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits	**$ 529,205**	$ 321,496
Savings, NOW and money market deposits	**722,869**	683,863
Certificates of deposit of $100,000 or more	**118,724**	140,578
Other time deposits	**38,524**	42,248
Total deposits	**1,409,322**	1,188,185
Federal funds purchased and Federal Home Loan Bank overnight borrowings	**44,500**	—
Federal Home Loan Bank term advances	**15,000**	—
Repurchase agreements	**12,390**	16,897
Junior subordinated debentures	**16,002**	16,002
Accrued interest payable	**147**	319
Other liabilities and accrued expenses	**8,680**	9,068
Total Liabilities	**1,506,041**	1,230,471
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; 8,923,010 and 8,374,917 shares issued, respectively; 8,907,890 and 8,345,399 shares outstanding, respectively	**89**	84
Surplus	**64,208**	52,962
Retained earnings	**55,102**	52,228
Less: Treasury Stock at cost, 15,120 and 29,518 shares, respectively	**(309)**	(715)
	119,090	104,559
Accumulated other comprehensive income (loss):		
Net unrealized gain on securities, net of deferred income taxes of ($1,803) and ($3,774), respectively	**2,738**	5,734
Pension liability, net of deferred income taxes of $2,036 and $2,205, respectively	**(3,050)**	(3,306)
Net unrealized loss on cash flow hedge, net of deferred income taxes of $70 and $0, respectively	**(106)**	—
Total Stockholders' Equity	**118,672**	106,987
Total Liabilities and Stockholders' Equity	**$ 1,624,713**	$ 1,337,458

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

Years Ended December 31,	**2012**	2011	2010
Interest income:			
Loans (including fee income)	**$ 40,255**	$ 35,434	$ 30,223
Mortgage-backed securities, CMOs and other assets-backed securities	**7,391**	9,000	9,585
State and municipal obligations	**3,126**	2,876	2,704
U.S. GSE securities	**2,977**	2,220	2,054
Corporate bonds	**574**	705	231
Federal funds sold	**—**	—	5
Deposits with banks	**78**	123	54
Other interest and dividend income	**113**	68	43
Total interest income	**54,514**	50,426	44,899
Interest expense:			
Savings, NOW and money market deposits	**3,738**	3,936	3,594
Certificates of deposit of $100,000 or more	**1,453**	1,264	1,489
Other time deposits	**416**	507	762
Federal funds purchased and repurchase agreements	**461**	543	530
Federal Home Loan Bank advances	**122**	—	—
Junior subordinated debentures	**1,365**	1,366	1,365
Total interest expense	**7,555**	7,616	7,740
Net interest income	**46,959**	42,810	37,159
Provision for loan losses	**5,000**	3,900	3,500
Net interest income after provision for loan losses	**41,959**	38,910	33,659
Non interest income:			
Service charges on deposit accounts	**3,313**	3,137	2,756
Fees for other customer services	**2,958**	2,553	2,163
Title fee income	**1,635**	1,016	1,103
Net securities gains	**2,647**	135	1,303
Other operating income	**120**	108	108
Total non interest income	**10,673**	6,949	7,433
Non interest expense:			
Salaries and employee benefits	**20,705**	18,036	15,978
Occupancy and equipment	**4,484**	4,325	3,975
Marketing and advertising	**1,590**	1,290	1,105
Professional services	**1,047**	1,225	1,158
Data/Item processing	**597**	559	555
FDIC assessments	**754**	825	1,274
Acquisition costs	**—**	793	—
Amortization of core deposit intangible	**67**	42	—
Cost of extinguishment of debt	**158**	—	—
Other operating expenses	**4,378**	3,742	3,834
Total non interest expense	**33,780**	30,837	27,879
Income before income taxes	**18,852**	15,022	13,213
Income tax expense	**6,080**	4,663	4,047
Net income	**$ 12,772**	$ 10,359	$ 9,166
Basic earnings per share	**$ 1.48**	$ 1.54	$ 1.45
Diluted earnings per share	**$ 1.48**	$ 1.54	$ 1.45

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

Years Ended December 31,	**2012**	2011	2010
Net Income	**$ 12,772**	$ 10,359	$ 9,166
Other comprehensive (loss) income:			
Change in unrealized net gains on securities available for sale, net of reclassification and deferred tax effects	**(2,996)**	2,185	(1,700)
Adjustment to pension liability, net of deferred income taxes	**256**	(1,524)	(55)
Unrealized loss on cash flow hedge, net of deferred income taxes	**(106)**	—	—
Total other comprehensive (loss) income	**(2,846)**	661	(1,755)
Comprehensive income	**$ 9,926**	$ 11,020	$ 7,411

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share and per share amounts)

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2010	$ 64	$ 18,631	$ 43,110	$ (3,472)	$ 3,522	$ 61,855
Net income			9,166			9,166
Shares issued under the dividend reinvestment plan ("DRP"), net of offering costs		1,395				1,395
Stock awards granted and distributed		(1,147)		1,147		—
Vesting of stock awards				(37)		(37)
Exercise of stock options		(20)		37		17
Tax effect of stock plans		11				11
Shared based compensation expense		881				881
Cash dividend declared, $0.92 per share			(5,813)			(5,813)
Other comprehensive income, net of deferred taxes					(1,755)	(1,755)
Balance at December 31, 2010	$ 64	$ 19,751	$ 46,463	$ (2,325)	$ 1,767	$ 65,720
Net income			10,359			10,359
Shares issued under the DRP	3	4,624				4,627
Shares issued in common stock offerings, net of offering costs (1,407,220 shares)	14	23,447				23,461
Shares issued in the acquisition of Hamptons State Bank (273,479 shares)	3	5,847				5,850
Stock awards granted and distributed		(1,777)		1,777		—
Stock awards forfeited		39		(39)		—
Vesting of stock awards				(128)		(128)
Tax effect of stock plans		(16)				(16)
Shared based compensation expense		1,047				1,047
Cash dividend declared, $0.69 per share			(4,594)			(4,594)
Other comprehensive income, net of deferred income taxes					661	661
Balance at December 31, 2011	$ 84	$ 52,962	$ 52,228	$ (715)	$ 2,428	$ 106,987
Net income			12,772			12,772
Shares issued under the DRP, net of offering costs	5	10,502				10,507
Stock awards granted and distributed		(580)		580		—
Stock awards forfeited		6		(6)		—
Vesting of stock awards				(175)		(175)
Exercise of stock options		(7)		7		—
Tax effect of stock plans		(18)				(18)
Shared based compensation expense		1,343				1,343
Cash dividend declared, $1.15 per share			(9,898)			(9,898)
Other comprehensive income, net of deferred income taxes					(2,846)	(2,846)
Balance at December 31, 2012	**$ 89**	**$ 64,208**	**$ 55,102**	**$ (309)**	**$ (418)**	**$ 118,672**

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Years Ended December 31,	2012	2011	2010
Cash flows from operating activities:			
Net income	**$ 12,772**	$ 10,359	$ 9,166
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**5,000**	3,900	3,500
Depreciation and amortization	**1,762**	1,843	1,612
Net amortization on securities	**5,573**	2,400	1,454
Amortization of core deposit intangible	**67**	42	—
Share based compensation expense	**1,343**	1,047	881
Net securities gains	**(2,647)**	(135)	(1,303)
Increase in accrued interest receivable	**(496)**	(787)	(474)
(Increase) decrease in other assets	**(2,287)**	1,593	2,041
Increase (decrease) in accrued expenses and other liabilities	**1,737**	(1,582)	(1,454)
Net cash provided by operating activities	**22,824**	18,680	15,423
Cash flows from investing activities:			
Purchases of securities available for sale	**(511,979)**	(302,760)	(226,213)
Purchases of securities, restricted	**(31,355)**	(315)	(2,055)
Purchases of securities held to maturity	**(132,304)**	(83,911)	(137,240)
Proceeds from sales of securities available for sale	**151,959**	14,084	31,446
Redemption of securities, restricted	**30,037**	225	1,976
Maturities, calls and principal payments of securities available for sale	**266,095**	196,886	175,013
Maturities, calls and principal payments of securities held to maturity	**89,123**	61,844	66,056
Net increase in loans	**(186,226)**	(73,029)	(57,070)
Proceeds from loan sale	**575**	—	—
Purchase of premises and equipment	**(3,592)**	(2,031)	(3,989)
Net cash acquired in business combination	—	2,309	—
Net cash used in investing activities	**(327,667)**	(186,698)	(152,076)
Cash flows from financing activities:			
Net increase in deposits	**221,137**	214,252	123,455
Net increase (decrease) increase in federal funds purchased and FHLB overnight borrowings	**44,500**	(7,000)	5,000
Net increase (decrease) of FHLB term advances	**15,000**	(5,016)	—
Net (decrease) increase in repurchase agreements	**(4,507)**	527	1,370
Net proceeds from issuance of common stock	**10,507**	28,088	1,395
Net proceeds from exercise of stock options	—	—	17
Repurchase of surrendered stock from exercise of stock options and vesting of restricted stock awards	**(175)**	(128)	(37)
Excess tax (expense) benefit from share based compensation	**(18)**	(16)	11
Cash dividends paid	**(9,898)**	(6,061)	(5,787)
Net cash provided by financing activities	**276,546**	224,646	125,424
Net (decrease) increase in cash and cash equivalents	**(28,297)**	56,628	(11,229)
Cash and cash equivalents at beginning of period	**79,546**	22,918	34,147
Cash and cash equivalents at end of period	**$ 51,249**	$ 79,546	$ 22,918
Supplemental Information-Cash Flows:			
Cash paid for:			
Interest	**$ 7,727**	$ 7,730	$ 7,838
Income tax	**$ 5,260**	$ 4,550	$ 5,922
Noncash investing and financing activities:			
Dividends declared and unpaid at end of period	**$ —**	$ —	$ 1,467
Transfers from portfolio loans to loans held for sale	**$ —**	$ 2,300	$ —
Financing of sale of loans held for sale	**$ 1,725**	$ —	$ —
Transfers from portfolio loans to OREO	**$ 250**	$ —	$ —
Acquisition of noncash assets and liabilities:			
Fair value of assets acquired	**$ —**	$ 66,566	$ —
Fair value of liabilities assumed	**$ —**	$ 65,059	$ —

See accompanying notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bridge Bancorp, Inc. (the "Company") is incorporated under the laws of the State of New York and is a registered single 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. See Note 7 for a further discussion of Bridge Statutory Capital Trust II.

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and general practices within the financial institution industry. The following is a description of the significant accounting policies that the Company follows in preparing its Consolidated Financial Statements.

a) Basis of Financial Statement Presentation

The accompanying Consolidated Financial Statements are prepared on the accrual basis of accounting and include the accounts of the Company and its wholly-owned subsidiary, the Bank. All material intercompany transactions and balances have been eliminated.

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of each consolidated balance sheet and the related consolidated statement of income for the years then ended. 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 allowance for loan losses, fair values of financial instruments, deferred taxes, prepayment speeds on mortgage-backed securities, and pension assumptions are particularly subject to change.

b) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest earning deposits with banks, and federal funds sold, which mature overnight. Cash flows are reported net for customer loan and deposit transactions, overnight borrowings and federal funds purchased, Federal Home Loan Bank advances, and repurchase agreements.

c) Securities

Debt and equity securities are classified in one of the following categories: (i) "held to maturity" (management has a positive intent and ability to hold to maturity), which are reported at amortized cost, (ii) "available for sale" (all other debt and marketable equity securities), which are reported at fair value, with unrealized gains and losses reported net of tax, as accumulated other comprehensive income, a separate component of stockholders' equity, and (iii) "restricted" which represents FHLB, FRB and bankers' banks stock which are reported at cost.

Premiums and discounts on securities are amortized to expense and accreted to income over the estimated life of the respective securities using the interest method. Gains and losses on the sales of securities are recognized upon realization based on the specific identification method. Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary impairment ("OTTI"), management considers many factors including: (1) the length of time and extent that 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 security or more than likely than not will be required to sell the security before its anticipated recovery. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the income statement and (2) impairment related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. The assessment of whether any other than temporary decline exists may involve a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

d) Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. 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. FHLB stock is carried at cost and classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

e) Loans, Loan Interest Income Recognition and Loans Held for Sale

Loans are stated at the principal amount outstanding, net of deferred origination costs and fees and purchase premiums and discounts. Loan origination and commitment fees and certain direct and indirect costs incurred in connection with loan originations are deferred and amortized to income over the life of the related loans as an adjustment to yield. When a loan prepays, the remaining unamortized net deferred origination fees or costs are recognized in the current year. Interest on loans is credited to income based on the principal outstanding during the period. Past due status is based on the contractual terms of the loan. Loans that are 90 days past due are automatically placed on nonaccrual and previously accrued interest is reversed and charged against interest income. However, if the loan is in the process of collection and the Bank has reasonable assurance that the loan will be fully collectible based upon individual loan evaluation assessing such factors as collateral and collectibility, accrued interest will be recognized as earned. If a payment is received when a loan is nonaccrual or a troubled debt restructuring loan is nonaccrual, the payment is applied to the principal balance. A performing troubled debt restructuring loan is on accrual status in line with the modified terms. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due. Loans for which the terms have been modified as a concession to the borrower due to the borrower experiencing financial difficulties are considered troubled debt restructurings and are classified as impaired. Loans considered to be troubled debt restructurings can be categorized as nonaccrual or performing. The impairment of a loan is measured at the value of expected future cash flows using the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral less costs to sell if the loan is collateral dependent. Generally, the Bank measures impairment of such loans by reference to the fair value of the collateral less costs to sell. Loans that experience minor payment delays and payment shortfall generally are not classified as impaired.

Loans over $50,000 are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Loans with balances less than $50,000, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Loans that were acquired from the acquisition of Hamptons State Bank on May 27, 2011 were initially recorded at fair value with no carryover of the related allowance for loan losses. After acquisition, losses are recognized through the allowance for loan losses. Determining fair value of the loans involves estimating the amount and timing of expected principal and interest cash flows to be collected on the loans and discounting those cash flows at a market interest rate. Some of the loans at time of acquisition showed evidence of credit deterioration since origination. These loans are considered purchase credit impaired loans.

For purchased credit impaired loans, the excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable discount and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable discount. The nonaccretable discount represents estimated future credit losses expected to be incurred over the life of the loan. Subsequent increases to the expected cash flows result in the reversal of a corresponding amount of the nonaccretable discount which is then reclassified as accretable discount and recognized into interest income over the remaining life of the loan using the interest method. Subsequent decreases to the expected cash flows require us to evaluate the need for an addition to the allowance for loan losses.

Purchased credit impaired loans that met the criteria for nonaccrual of interest prior to the acquisition may be considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if management can reasonably estimate the timing and amount of the expected cash flows on such loans and if management expects to fully collect the new carrying value of the loans. As such, management may no longer consider the loans to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable discount.

Loans held for sale are carried at the lower of aggregate cost, or estimated fair market value. At December 31, 2011, the Company had $2.3 million of loans held for sale. These loans were subsequently sold in January 2012 with no resulting gain or loss recognized. There were no loans held for sale at December 31, 2012.

Unless otherwise noted, the above policy is applied consistently to all loan classes.

f) Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. The Bank monitors its entire loan portfolio on a regular basis, with consideration given to loan growth, detailed analyses of classified loans, repayment patterns, delinquency status, past loss experience, current economic conditions, and various types of concentrations of credit. Additionally, the Bank considers its credit administration and asset management philosophies and procedures and concentrations in the portfolio when determining the allowances for each pool. The Bank evaluates and considers the credit's risk rating which includes management's evaluation of: cash flow, collateral, guarantor support, financial disclosures, industry trends and strength of borrowers' management, the impact that economic and market conditions may have on the portfolio as well as known and inherent risks in the portfolio. Finally, the Bank 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.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

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 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 December 31, 2012, management believes the allowance for loan losses is adequate.

A loan is considered a potential charge-off when it is in default of either principal or interest for a period of 90, 120 or 180 days, depending upon the loan type, as of the end of the prior month. In addition to delinquency criteria, other triggering events may include, but are not limited to, notice of bankruptcy by the borrower or guarantor, death of the borrower, and deficiency balance from the sale of collateral.

While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in conditions. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to, or charge-offs against, the allowance based on their judgment about information available to them at the time of their examination. Refer to Note 3 for further details.

Unless otherwise noted, the above policy is applied consistently to all loan segments.

g) Premises and Equipment

Buildings, furniture and fixtures and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method using a useful life of fifty years for buildings and a range of two to ten years for equipment, computer hardware and software, and furniture and fixtures. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Land is recorded at cost.

Improvements and major repairs are capitalized, while the cost of ordinary maintenance, repairs and minor improvements are charged to expense.

h) Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as unused lines of credit, commitments to make loans and commercial letters of credit, issued to meet customer-financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded on the balance sheet when they are funded.

i) Derivatives

The Company records a cash flow hedge at the inception of the derivative contract based on the Company's intentions and belief as to likely effectiveness as a hedge. The cash flow hedge represents a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. The changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash

flows of the hedged item are recognized immediately in current earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as noninterest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in noninterest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as noninterest income. A cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

j) Income Taxes

The Company follows the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities, computed using enacted tax rates. Deferred tax assets are recognized if it is more likely than not that a future benefit will be realized. It is management's position, as currently supported by the facts and circumstances, that no valuation allowance is necessary against any of the Company's deferred tax assets.

In accordance with FASB ASC 740, *Accounting for Uncertainty in Income* T*axes*, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. There are no such tax positions on the Company's financial statements at December 31, 2012 and 2011, respectively.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not have any amounts accrued for interest and penalties at December 31, 2012 or 2011.

k) Treasury Stock

Repurchases of common stock are recorded as treasury stock at cost. Treasury stock is reissued using the first in, first out method.

l) Earnings Per Share

Earnings per share is calculated in accordance with FASB ASC 260-10, *"Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities"*. This ASC 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"). Basic earnings per common share is net income attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share, which reflects the potential dilution that could occur if outstanding stock options were exercised and if junior subordinated debentures were converted into common shares, is computed by dividing net income attributable to common shareholders by the weighted average number of common shares and common stock equivalents.

m) Dividends

Cash available for distribution of dividends to shareholders of the Company is primarily derived from cash and cash equivalents of the Company and dividends paid by the Bank to the Company. Due to regulatory restrictions, dividends from the Bank to the Company at December 31, 2012, were limited to $33.5 million which represents the Bank's 2012 retained net income and net retained earnings from the previous two years. During 2012, the Bank did not pay 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.

n) Segment Reporting

While management monitors the revenue streams of the various products and services, the identifiable segments are not material and operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

o) Stock Based Compensation Plans

Stock based compensation awards are recorded in accordance with FASB ASC No. 718 and 505, "*Accounting for Stock-Based Compensation"* which requires companies to record compensation cost for stock options and stock awards granted to employees in return for employee service. The cost is measured at the fair value of the options and awards when granted, and this cost is expensed over the employee service period, which is normally the vesting period of the options and awards.

p) Comprehensive Income

Comprehensive income includes net income and all other changes in equity during a period, except those resulting from investments by owners and distributions to owners. Other comprehensive income includes revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income. Comprehensive income and accumulated other comprehensive income are reported net of deferred income taxes. Accumulated other comprehensive income for the Company includes unrealized holding gains or losses on available for sale securities, unrealized gains or losses on cash flow hedges and changes in the funded status of the pension liability. FASB ASC 715-30 *"Compensation – Retirement Benefits – Defined Benefit Plans – Pension"* requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year the changes occur through comprehensive income. Other comprehensive income is net of reclassification adjustments for realized gains (losses) on sales of available for sale securities.

q) Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

r) New Accounting Standards

In October 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2012-06, "Business Combinations" ("ASU 2012-06"). Accounting for a business combination requires that at each subsequent reporting date, an acquirer measure an indemnification asset on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount, and for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectibility of the indemnification asset. This Update addresses the diversity in practice about how to interpret the terms *on the same basis* and *contractual limitations* when subsequently measuring an indemnification asset recognized in a government-assisted (Federal Deposit Insurance Corporation or National Credit Union Administration) acquisition of a financial institution that includes a loss-sharing agreement (indemnification agreement). The Company does not anticipate the adoption of this ASU to have a material impact on the financials.

In October 2012, the FASB issued Accounting Standards Update No. 2012-04, "Technical Corrections and Improvements" ("ASU 2012-04"). The amendments in this Update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, the amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications. The amendments in this Update that will not have transition guidance will be effective upon issuance for both public entities and nonpublic entities. For public entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012. The Company does not anticipate the adoption of this ASU to have a material impact on the financials.

In August 2012, the FASB issued Accounting Standards Update No. 2012-03, "Technical Amendments and Corrections to SEC Sections" ("ASU 2012-03"). The accounting guidance includes amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update No. 2010-22. The accounting guidance is effective immediately and did not have a material impact on the Company.

In December 2011, the FASB issued Accounting Standards Update No. 2011-12, "Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in

Accounting Standards Update No. 2011-05". In order to defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this Update supersede certain pending paragraphs in Update 2011-05. The amendments are being made to allow the FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the FASB is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before Update 2011-05.

In September 2011, the FASB issued Accounting Standards Update No. 2011-8, "Intangibles – Goodwill and Other (Topic 350) Testing Goodwill for Impairment" ("ASU 2011-8"). ASU 2011-8 clarifies the guidance for goodwill impairment testing by allowing companies to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The company would not be required to calculate the fair value of a reporting unit unless the company determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-8 includes a number of events and circumstances for companies to consider in conducting the qualitative assessment. ASU 2011-8 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company has early adopted ASU 2011-8 for its annual impairment test for the year ended December 31, 2011 and it did not have a material impact on the Company.

In June 2011, the FASB issued Accounting Standards Update No.2011-5, "Comprehensive Income (Topic 220)" ("ASU 2011-5"). ASU 2011-5 gives companies the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, the company is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-5 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this guidance do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-5 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Adoption of ASU 2011-5 did not have a material impact on the Company and the relevant disclosures were included in this document.

In May 2011, the FASB issued Accounting Standards Update No.2011-4, "Fair Value Measurement and Disclosures (Topic 820)" ("ASU 2011-4"). ASU 2011-4 clarifies the guidance for determining fair value including some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This Update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with current accounting guidance. ASU 2011-4 is effective for interim and annual reporting periods ending on or after December 15, 2011. Adoption of AUS 2011-4 did not have a material impact on the Company and the relevant disclosures were included in this document.

s) Reclassifications

Certain reclassifications have been made to prior year amounts, and the related discussion and analysis, to conform to the current year presentation.

2. SECURITIES

A summary of the amortized cost, gross unrealized gains and losses and fair value of securities is as follows:

December 31, (In thousands)	2012 Amortized Cost	2012 Gross Unrealized Gains	2012 Gross Unrealized Losses	2012 Fair Value	2011 Amortized Cost	2011 Gross Unrealized Gains	2011 Gross Unrealized Losses	2011 Fair Value
Available for sale:								
U.S. GSE securities	$ 178,421	$ 377	$ (346)	$ 178,452	$ 130,708	$ 968	$ (2)	$ 131,674
State and municipal obligations	58,867	1,132	(36)	59,963	52,861	1,366	(8)	54,219
U.S. GSE residential mortgage-backed securities	19,462	1,135	—	20,597	67,317	3,667	—	70,984
U.S. GSE residential collateralized mortgage obligations	224,226	2,762	(542)	226,446	175,878	3,493	(46)	179,325
U.S. GSE commercial mortgage-backed securities	3,132	6	—	3,138	—	—	—	—
U.S. GSE commercial collateralized mortgage obligations	9,079	278	—	9,357	5,167	70	—	5,237
Non Agency commercial mortgage-backed securities	4,754	235	—	4,989	—	—	—	—
Other asset backed securities	26,588	65	(525)	26,128	—	—	—	—
Total available for sale	524,529	5,990	(1,449)	529,070	431,931	9,564	(56)	441,439
Held to maturity:								
U.S. GSE securities	4,992	24	—	5,016	—	—	—	—
State and municipal obligations	98,752	2,241	(31)	100,962	104,314	2,048	(5)	106,357
U.S. GSE residential mortgage-backed securities	9,483	26	—	9,509	—	—	—	—
U.S. GSE residential collateralized mortgage obligations	59,388	704	(404)	59,688	42,081	1,104	(21)	43,164
U.S. GSE commercial mortgage-backed securities	10,324	350	—	10,674	—	—	—	—
U.S. GSE commercial collateralized mortgage obligations	4,975	254	—	5,229	—	—	—	—
Corporate Bonds	22,821	134	(331)	22,624	22,758	3	(1,330)	21,431
Total held to maturity	210,735	3,733	(766)	213,702	169,153	3,155	(1,356)	170,952
Total securities	$ 735,264	$ 9,723	$ (2,215)	$ 742,772	$ 601,084	$ 12,719	$ (1,412)	$ 612,391

Securities with unrealized losses at year-end 2012 and 2011, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

December 31, (In thousands)	2012 Less than 12 months Fair Value	2012 Less than 12 months Unrealized losses	2012 Greater than 12 months Fair Value	2012 Greater than 12 months Unrealized losses	2011 Less than 12 months Fair Value	2011 Less than 12 months Unrealized losses	2011 Greater than 12 months Fair Value	2011 Greater than 12 months Unrealized losses
Available for sale:								
U.S. GSE securities	$ 79,692	$ 346	$ —	$ —	$ 7,196	$ 2	$ —	$ —
State and municipal obligations	13,878	36	226	—	4,283	8	—	—
U.S. GSE residential mortgage-backed securities	90	—	—	—	—	—	—	—
U.S. GSE residential collateralized mortgage obligations	65,961	542	—	—	7,672	46	—	—
Other asset backed securities	18,109	525	—	—	—	—	—	—
Total available for sale	177,730	1,449	226	—	19,151	56	—	—
Held to maturity:								
State and municipal obligations	28,939	31	—	—	7,011	5	—	—
U.S. GSE residential collateralized mortgage obligations	41,563	404	—	—	4,810	21	—	—
Corporate Bonds	—	—	17,669	331	4,664	336	12,006	994
Total held to maturity	$ 70,502	$ 435	$ 17,669	$ 331	$ 16,485	$ 362	$ 12,006	$ 994

Unrealized losses on securities have not been recognized into income, as the losses on these securities would be expected to dissipate as they approach their maturity dates. The Company evaluates securities for other-than-temporary impairment periodically and with increased frequency when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, whether the market decline was affected by macroeconomic conditions, and whether the Company has the intent to sell the security or more than likely than not will be required to sell the security before its anticipated recovery. In analyzing an issuer's financial condition, the Company

may consider whether the securities are issued by the federal government or its entities, whether downgrades by bond rating agencies have occurred, and the issuer's financial condition.

At December 31, 2012, the majority of unrealized losses on available for sale securities are related to the Company's U.S. GSE residential collateralized mortgage obligations, Other asset backed securities and U.S. GSE securities. The majority of unrealized losses on held to maturity securities are related to U.S. GSE residential collateralized mortgage obligations and corporate bonds. The decrease in fair value of the U.S. GSE residential collateralized mortgage obligations, Other asset backed securities and the corporate bond portfolio is attributable to changes in interest rates and not credit quality. Each issuer of corporate bonds has maintained their well capitalized status and continues to be reviewed periodically. 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 December 31, 2012.

The following table sets forth the fair value, amortized cost and maturities of the securities at December 31, 2012. 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.

December 31, 2012	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
(In thousands)	Fair Value Amount	Amortized Cost Amount	Fair Value Amount	Amortized Cost Amount	Fair Value Amount	Amortized Cost Amount	Fair Value Amount	Amortized Cost Amount	Fair Value Amount	Amortized Cost Amount
Available for sale:										
U.S. GSE securities	$ —	$ —	$ 568	$ 539	$ 137,880	$ 137,824	$ 40,004	$ 40,058	$ 178,452	$ 178,421
State and municipal obligations	16,160	16,123	38,099	37,165	5,227	5,123	477	456	59,963	58,867
U.S. GSE residential mortgage-backed securities	—	—	568	533	9,831	9,314	10,198	9,615	20,597	19,462
U.S. GSE residential collateralized mortgage obligations	—	—	—	—	15,401	15,422	211,045	208,804	226,446	224,226
U.S. GSE commercial mortgage-backed securities	—	—	—	—	3,138	3,132	—	—	3,138	3,132
U.S. GSE commercial collateralized mortgage obligations	—	—	—	—	—	—	9,357	9,079	9,357	9,079
Non Agency commercial mortgage-backed securities	—	—	—	—	—	—	4,989	4,754	4,989	4,754
Other Asset backed securities	—	—	—	—	7,971	7,996	18,157	18,592	26,128	26,588
Total available for sale	16,160	16,123	39,235	38,237	179,448	178,811	294,227	291,358	529,070	524,529
Held to maturity:										
U. S. GSE securities	—	—	—	—	5,016	4,992	—	—	5,016	4,992
State and municipal obligations	50,390	50,362	25,459	25,058	6,756	6,270	18,357	17,062	100,962	98,752
U.S. GSE residential mortgage-backed securities	—	—	—	—	—	—	9,509	9,483	9,509	9,483
U.S. GSE residential collateralized mortgage obligations	—	—	—	—	780	751	58,908	58,637	59,688	59,388
U.S. GSE commercial mortgage-backed securities	—	—	—	—	10,674	10,324	—	—	10,674	10,324
U.S. GSE commercial collateralized mortgage obligations	—	—	—	—	—	—	5,229	4,975	5,229	4,975
Corporate Bonds	—	—	22,624	22,821	—	—	—	—	22,624	22,821
Total held to maturity	50,390	50,362	48,083	47,879	23,226	22,337	92,003	90,157	213,702	210,735
Total securities	$ 66,550	$ 66,485	$ 87,318	$ 86,116	$ 202,674	$ 201,148	$ 386,230	$ 381,515	$ 742,772	$ 735,264

There were $152.0 million of proceeds on sales of available for sale securities with gross gains of approximately $3.2 million and gross losses of approximately $0.6 realized in 2012. There were $14.1 million of proceeds on sales of available for sale securities with gross gains of approximately $0.1 million and gross losses of approximately $0.01 realized in 2011. There were $31.4 million of proceeds on sales of available for sale securities and gross gains of approximately $1.3 million realized in 2010. No securities were sold at a loss in 2010.

Securities having a fair value of approximately $333.0 million and $287.8 million at December 31, 2012 and 2011, respectively, were pledged to secure public deposits and Federal Home Loan Bank and Federal Reserve Bank overnight borrowings. The Company did not hold any trading securities during the years ended December 31, 2012, 2011 and 2010.

As of December 31, 2012, there was one issuer, other than U.S. Government and its Sponsored Entities, where the Bank had invested holdings that exceeded 10% of stockholder's equity and represented 13% of stockholder's equity. These assets are more than 95% backed by a U.S. Government guarantee. There were no investment holdings of any one issuer that exceeded 10% of stockholders' equity at December 31, 2011, other than U.S. Government and its Sponsored Entities. As of December 31, 2010, there was one issuer where the Bank had invested holdings that exceeded 10% of stockholder's equity and represented 14% of stockholder's equity. The majority of these holdings matured in the first quarter of 2011.

3. LOANS

The following table sets forth the major classifications of loans:

December 31,	**2012**	2011
(In thousands)		
Commercial real estate mortgage loans	**$ 332,782**	$ 283,917
Multi-family mortgage loans	**66,080**	21,402
Residential real estate mortgage loans	**143,703**	141,027
Commercial, financial and agricultural loans	**197,448**	116,319
Real estate construction and land loans	**48,632**	40,543
Installment/consumer loans	**9,167**	8,565
Total loans	**797,812**	611,773
Net deferred loan costs and fees	**634**	370
	798,446	612,143
Allowance for loan losses	**(14,439)**	(10,837)
Net loans	**$ 784,007**	$ 601,306

Lending Risk

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

Commercial Real Estate Mortgages

Loans in this classification include income producing investment properties and owner occupied real estate used for business purposes. The underlying properties are generally located largely in our primary market area. The cash flows of the income producing investment properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on credit quality. Generally, management seeks to obtain annual financial information for borrowers with loans in excess of $0.25 million in this category. In the case of owner-occupied real estate used for business purposes, a weakened economy and resultant decreased consumer and/or business spending will have an adverse effect on credit quality.

Multi-Family Mortgages

Loans in this classification include income producing residential investment properties of 5 or more families. The loans are usually made in areas with limited single family residences generating high demand for these facilities. Loans are made to established owners with a proven and demonstrable record of strong performance. Loans are secured by a first mortgage lien on the subject property with a loan to value ratio generally not exceeding 75%. Repayment is derived generally from the rental income generated from the property and maybe supplemented by the owners' personal cash flow. Credit risk arises with an increase in vacancy rates, property mismanagement and the predominance of non-recourse loans that are customary in the industry.

Residential Real Estate Mortgages and Home Equity Loans

Loans in these classifications are made to and secured by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class. The Bank generally does not originate loans with a loan-to-value ratio greater than 80% and does not grant subprime loans.

Commercial, Industrial and Agricultural Loans

Loans in this classification are made to businesses. Generally these loans are secured by assets of the business and repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer and/or business spending will have an effect on the credit quality in this loan class.

Real Estate Construction and Land Loans

Loans in this classification primarily include land loans to local individuals, contractors and developers for developing the land for sale or for the purpose of making improvements thereon. Repayment is derived primarily from sale of the lots/units including any pre-sold units. Credit risk is affected by market conditions, time to sell at an adequate price and cost overruns. To a lesser extent this class includes commercial development projects that the Company finances, which in most cases require interest only during construction, and then convert to permanent financing. Credit risk is affected by construction delays, cost overruns, market conditions and the availability of permanent financing, to the extent such permanent financing is not being provided by us.

Installment and Consumer Loans

Loans in this classification may be either secured or unsecured and repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan such as automobiles. Therefore, the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class.

Allowance for Loan Losses

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.

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 are also used to determine the estimates of the fair value of the underlying collateral or the present value of expected future cash flows or the loan's observable market value. Individual valuation allowances could differ materially as a result of changes in these assumptions and judgments. Individual loan analyses are periodically performed on specific loans considered impaired. The results of the individual valuation allowances are aggregated and included in the overall allowance for loan losses.

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

The Credit Risk Committee is comprised of members of both management and the Board of Directors. The adequacy of the allowance is analyzed quarterly, with any adjustment to a level deemed appropriate by the Credit Risk Committee, based on its risk assessment

of the entire portfolio. Based on the Credit Risk Committee's review of the classified loans and the overall allowance levels as they relate to the entire loan portfolio at December 31, 2012, management believes the allowance for loan losses has been established at levels sufficient to cover the probable incurred losses in the Bank's loan portfolio. Future additions or reductions to the allowance may be necessary based on changes in economic, market or other conditions. Changes in estimates could result in a material change in the allowance. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the allowance for loan losses. Such agencies may require the Bank to recognize adjustments to the allowance based on their judgments of the information available to them at the time of their examination.

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

December 31,	**2012**	2011	2010
(In thousands)			
Allowance for loan losses balance at beginning of period	**$ 10,837**	$ 8,497	$ 6,045
Charge-offs	**(1,510)**	(1,681)	(1,120)
Recoveries	**112**	121	72
Net charge-offs	**(1,398)**	(1,560)	(1,048)
Provision for loan losses charged to operations	**5,000**	3,900	3,500
Balance at end of period	**$ 14,439**	$ 10,837	$ 8,497

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment, as defined under ASC 310-10, and based on impairment method as of December 31, 2012 and 2011. The loan segment represents the categories that the Bank develops to determine its allowance for loan losses.

December 31, 2012	**Commercial Real Estate Mortgage Loans**	**Multi-family Loans**	**Residential Real Estate Mortgage Loans**	**Commercial, Financial and Agricultural Loans**	**Real Estate Construction and Land Loans**	**Installment/ Consumer Loans**	**Total**
(In thousands)							
Allowance for Loan Losses							
Beginning balance	**$ 3,530**	**$ 395**	**$ 2,280**	**$ 2,895**	**$ 1,465**	**$ 272**	**$ 10,837**
Charge-offs	**—**	**—**	**(1,210)**	**(285)**	**—**	**(15)**	**(1,510)**
Recoveries	**—**	**—**	**7**	**83**	**—**	**22**	**112**
Provision	**915**	**844**	**1,726**	**1,656**	**(90)**	**(51)**	**5,000**
Ending balance	**$ 4,445**	**$ 1,239**	**$ 2,803**	**$ 4,349**	**$ 1,375**	**$ 228**	**$ 14,439**
Ending balance: individually evaluated for impairment	**$ —**	**$ —**	**$ 141**	**$ 228**	**$ —**	**$ —**	**$ 369**
Ending balance: collectively evaluated for impairment	**$ 4,445**	**$ 1,239**	**$ 2,662**	**$ 4,121**	**$ 1,375**	**$ 228**	**$ 14,070**
Loans	**$ 332,782**	**$ 66,080**	**$ 143,703**	**$ 197,448**	**$ 48,632**	**$ 9,167**	**$ 797,812**
Ending balance: individually evaluated for impairment	**$ 4,776**	**$ —**	**$ 2,549**	**$ 883**	**$ —**	**$ —**	**$ 8,208**
Ending balance: collectively evaluated for impairment	**$ 327,282**	**$ 66,080**	**$ 141,154**	**$ 196,350**	**$ 48,331**	**$ 9,167**	**$ 788,364**
Ending balance: loans acquired with deteriorated credit quality	**$ 724**	**$ —**	**$ —**	**$ 215**	**$ 301**	**$ —**	**$ 1,240**

December 31, 2011	Commercial Real Estate Mortgage Loans	Multi-family Loans	Residential Real Estate Mortgage Loans	Commercial, Financial and Agricultural Loans	Real Estate Construction and Land Loans	Installment/ Consumer Loans	Total
(In thousands)							
Allowance for Loan Losses							
Beginning balance	$ 3,310	$ 133	$ 1,642	$ 2,804	$ 185	$ 423	$ 8,497
Charge-offs	—	—	(259)	(372)	(864)	(186)	(1,681)
Recoveries	—	—	6	96	—	19	121
Provision	220	262	891	367	2,144	16	3,900
Ending balance	$ 3,530	$ 395	$ 2,280	$ 2,895	$ 1,465	$ 272	$ 10,837
Ending balance: individually evaluated for impairment	$ —	$ —	$ 105	$ 162	$ —	$ —	$ 267
Ending balance: collectively evaluated for impairment	$ 3,530	$ 395	$ 2,175	$ 2,733	$ 1,465	$ 272	$ 10,570
Loans	$ 283,917	$ 21,402	$ 141,027	$ 116,319	$ 40,543	$ 8,565	$ 611,773
Ending balance: individually evaluated for impairment	$ 5,079	$ —	$ 2,942	$ 752	$ 250	$ —	$ 9,023
Ending balance: collectively evaluated for impairment	$ 278,202	$ 21,402	$ 138,085	$ 115,364	$ 40,029	$ 8,565	$ 601,647
Ending balance: loans acquired with deteriorated credit quality	$ 636	$ —	$ —	$ 203	$ 264	$ —	$ 1,103

The Company has an immaterial amount of purchased loans as a result of the acquisition of Hamptons State Bank in 2011, for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. These loans are referred to as loans acquired with deteriorated credit quality in the table above.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt including repayment patterns, probable incurred losses, past loss experience, current economic conditions, and various types of concentrations of credit. Assigned risk rating grades are continuously updated as new information is obtained. Loans risk rated special mention, substandard and doubtful are reviewed on a quarterly basis. The Company uses the following definitions for risk rating grades:

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

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

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

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

The following table represents loans by class categorized by internally assigned risk grades:

December 31, 2012	**Grades:**				
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
(In thousands)					
Commercial real estate:					
Owner occupied	**$ 138,675**	**$ 11,285**	**$ 11,039**	**$ —**	**$ 160,999**
Non-owner occupied	**159,967**	**7,523**	**4,293**	**—**	**171,783**
Multi-family loans	**66,080**	**—**	**—**	**—**	**66,080**
Residential real estate:					
First lien	**72,158**	**—**	**2,846**	**717**	**75,721**
Home equity	**65,955**	**745**	**1,282**	**—**	**67,982**
Commercial:					
Secured	**81,661**	**1,447**	**5,605**	**—**	**88,713**
Unsecured	**105,454**	**1,948**	**1,234**	**99**	**108,735**
Real estate construction and land loans	**45,178**	**—**	**3,454**	**—**	**48,632**
Installment/consumer loans	**9,058**	**—**	**109**	**—**	**9,167**
Total loans	**$ 744,186**	**$ 22,948**	**$ 29,862**	**$ 816**	**$ 797,812**

December 31, 2011	Grades:				
	Pass	Special Mention	Substandard	Doubtful	Total
(In thousands)					
Commercial real estate:					
Owner occupied	$ 120,662	$ 14,975	$ 9,839	$ —	$ 145,476
Non-owner occupied	126,016	9,443	2,982	—	138,441
Multi-family loans	21,402	—	—	—	21,402
Residential real estate:					
First lien	64,725	—	1,351	1,223	67,299
Home equity	70,947	584	1,972	225	73,728
Commercial:					
Secured	52,686	4,258	3,208	—	60,152
Unsecured	53,421	1,613	1,124	9	56,167
Real estate construction and land loans	35,979	—	4,314	250	40,543
Installment/consumer loans	8,283	264	18	—	8,565
Total loans	$ 554,121	$ 31,137	$ 24,808	$ 1,707	$ 611,773

Past Due and Nonaccrual Loans

The following table represents the aging of the recorded investment in past due loans as of December 31, 2012 and December 31, 2011 by class of loans, as defined by ASC 310-10:

December 31, 2012	**30-59 Days Past Due**	**60-89 Days Past Due**	**>90 Days Past Due And Accruing**	**Nonaccrual Including 90 Days or More Past Due**	**Total Past Due and Nonaccrual**	**Current**	**Total Loans**
(In thousands)							
Commercial real estate:							
Owner occupied	**$ —**	**$ 1,265**	**$ 491**	**$ 492**	**$ 2,248**	**$ 158,751**	**$ 160,999**
Non-owner occupied	**—**	**—**	**—**	**—**	**—**	**171,783**	**171,783**
Multi-family loans	**—**	**—**	**—**	**—**	**—**	**66,080**	**66,080**
Residential real estate:							
First lien	**—**	**158**	**—**	**1,203**	**1,361**	**74,360**	**75,721**
Home equity	**965**	**—**	**—**	**1,010**	**1,975**	**66,007**	**67,982**
Commercial:							
Secured	**—**	**—**	**—**	**136**	**136**	**88,577**	**88,713**
Unsecured	**22**	**—**	**—**	**426**	**448**	**108,287**	**108,735**
Real estate construction and land loans	**—**	**—**	**—**	**22**	**22**	**48,610**	**48,632**
Installment/consumer loans	**—**	**—**	**—**	**—**	**—**	**9,167**	**9,167**
Total loans	**$ 987**	**$ 1,423**	**$ 491**	**$ 3,289**	**$ 6,190**	**$ 791,622**	**$ 797,812**

December 31, 2011	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due And Accruing	Nonaccrual Including 90 Days or More Past Due	Total Past Due and Nonaccrual	Current	Total Loans
(In thousands)							
Commercial real estate:							
Owner occupied	$ 485	$ 1,281	$ 406	$ 449	$ 2,621	$ 142,855	$ 145,476
Non-owner occupied	—	—	—	—	—	138,441	138,441
Multi-family loans	—	—	—	—	—	21,402	21,402
Residential real estate:							
First lien	—	—	—	1,561	1,561	65,738	67,299
Home equity	448	255	—	1,382	2,085	71,643	73,728
Commercial:							
Secured	—	—	—	479	479	59,673	60,152
Unsecured	—	53	—	40	93	56,074	56,167
Real estate construction and land loans	—	—	—	250	250	40,293	40,543
Installment/consumer loans	1	—	5	—	6	8,559	8,565
Total loans	$ 934	$ 1,589	$ 411	$ 4,161	$ 7,095	$ 604,678	$ 611,773

All loans 90 days or more past due that are still accruing interest represent loans that were acquired from Hamptons State Bank on May 27, 2011 and were recorded at fair value upon acquisition. These loans are considered to be accruing as management can reasonably estimate future cash flows on these acquired loans and expect to fully collect the carrying value of these loans. Therefore, the difference between the carrying value of these loans and their expected cash flows is being accreted into income.

Impaired Loans

As of December 31, 2012 and December 31, 2011, the Company had impaired loans as defined by FASB ASC No. 310, "Receivables" of $8.2 million and $9.0 million, respectively. For a loan to be considered impaired, management determines after review whether it is probable that the Bank will not be able to collect all amounts due according to the contractual terms of the loan agreement. 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. 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.

The following tables represent impaired loans by class at December 31, 2012 and 2011:

December 31, 2012	Recorded Investment	Unpaid Principal Balance	Related Allocated Allowance	Average Recorded Investment	Interest Income Recognized
(In thousands)					
With no related allowance recorded:					
Commercial real estate:					
Owner occupied	$ **3,860**	$ **3,931**	$ —	$ **3,816**	$ **116**
Non-owner occupied	**916**	**916**	—	**916**	**61**
Multi-family loans	—	—	—	—	—
Residential real estate:					
First lien	**1,539**	**2,151**	—	**1,484**	**35**
Home equity	**736**	**1,094**	—	**768**	—
Commercial:					
Secured	**515**	**520**	—	**281**	**14**
Unsecured	**95**	**97**	—	**42**	—
Real estate construction and land loans	—	—	—	**2**	—
Installment/consumer loans	—	—	—	—	—
Total with no related allowance recorded	**7,661**	**8,709**	—	**7,309**	**226**
With an allowance recorded:					
Residential real estate – Home equity	**274**	**287**	**141**	**244**	—
Commercial – Unsecured	**273**	**302**	**228**	**236**	—
Total with an allowance recorded	**547**	**589**	**369**	**480**	—
Total:					
Commercial real estate:					
Owner occupied	**3,860**	**3,931**	—	**3,816**	**116**
Non-owner occupied	**916**	**916**	—	**916**	**61**
Multi-family loans	—	—	—	—	—
Residential real estate:					
First lien	**1,539**	**2,151**	—	**1,484**	**35**
Home equity	**1,010**	**1,381**	**141**	**1,012**	—
Commercial:					
Secured	**515**	**520**	—	**281**	**14**
Unsecured	**368**	**399**	**228**	**278**	—
Real estate construction and land loans	—	—	—	**2**	—
Installment/consumer loans	—	—	—	—	—
Total	$ **8,208**	$ **9,298**	$ **369**	$ **7,789**	$ **226**

December 31, 2011	Recorded Investment	Unpaid Principal Balance	Related Allocated Allowance	Average Recorded Investment	Interest Income Recognized
(In thousands)					
With no related allowance recorded:					
Commercial real estate:					
Owner occupied	$ 4,163	$ 4,206	$ —	$ 4,208	$ 415
Non-owner occupied	916	916	—	929	15
Multi-family loans	—	—	—	—	—
Residential real estate:					
First lien	338	344	—	346	—
Home equity	688	860	—	778	—
Commercial:					
Secured	533	533	—	535	7
Unsecured	—	—	—	—	—
Real estate construction and land loans	250	371	—	250	—
Installment/consumer loans	—	—	—	—	—
Total with no related allowance recorded	6,888	7,230	—	7,046	437
With an allowance recorded:					
Residential real estate – First lien	1,223	1,329	76	1,241	—
Residential real estate – Home equity	693	700	29	694	—
Commercial – Secured	219	229	162	235	—
Total with an allowance recorded	2,135	2,258	267	2,170	—
Total:					
Commercial real estate:					
Owner occupied	4,163	4,206	—	4,208	415
Non-owner occupied	916	916	—	929	15
Multi-family loans	—	—	—	—	—
Residential real estate:					
First lien	1,561	1,673	76	1,587	—
Home equity	1,381	1,560	29	1,472	—
Commercial:					
Secured	752	762	162	770	7
Unsecured	—	—	—	—	—
Real estate construction and land loans	250	371	—	250	—
Installment/consumer loans	—	—	—	—	—
Total	$ 9,023	$ 9,488	$ 267	$ 9,216	$ 437

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs.

The Bank had $0.3 million foreclosed real estate owned at December 31, 2012, and had none at December 31, 2011.

Troubled Debt Restructurings

The terms of certain loans were modified and are considered troubled debt restructurings (“TDR”). The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan. The modification of these loans involved a loan to borrowers who were experiencing financial difficulties.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed to determine if that borrower is currently in payment default under any of its obligations or whether there is a probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company’s internal underwriting policy.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ended December 31, 2012:

(In thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial real estate:			
Owner occupied	1	$ 163	$ 160
Non-owner occupied	—	—	—
Multi-Family	—	—	—
Residential real estate:			
First lien	—	—	—
Home equity	—	—	—
Commercial:			
Secured	1	387	380
Unsecured	1	42	39
Real estate construction and land loans	—	—	—
Installment/consumer loans	—	—	—
Total loans	3	$ 592	$ 579

The TDRs described above did not increase the allowance for loan losses and there were charge offs of $0.4 million during the year ended December 31, 2012.

At December 31, 2012, there were no loans modified as TDRs for which there was a payment default within twelve months following the modification. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

As of December 31, 2012 and December 31, 2011, the Company had $1.0 million and $2.0 million, respectively of nonaccrual TDR loans. As of December 31, 2012 two of the borrowers with loans totaling $0.3 million are complying with the modified terms of the loans and are currently making payments. Another borrower with loans totaling $0.7 million is currently in default and foreclosure proceedings have been initiated. The decrease in nonaccrual TDR loans at December 31, 2012 was due to the reclassification of a $0.3 million nonaccrual TDR loan to a performing TDR as the borrower has made six months of consecutive payments in line with the restructured terms. In addition, there was charge-offs totaling $0.7 million during 2012. Total nonaccrual TDR loans are secured with collateral that has an appraised value of $2.7 million. Furthermore, the Bank has no commitment to lend additional funds to these debtors.

In addition, the Company has six borrowers with performing TDR loans of $5.0 million at December 31, 2012 that are current and secured with collateral that has an appraised value of approximately $12.3 million. At December 31, 2011, the Company had four borrowers with TDR loans of $4.9 million that were current and secured with collateral that had an appraised value of approximately $11.5 million. Management believes that the ultimate collection of principal and interest is reasonably assured and therefore continues to recognize interest income on an accrual basis. Two of the loans were restructured during the third quarter of 2012, one of the loans in the second quarter of 2012 and one loan in the first quarter of 2012 and since that time the interest income recognized has been immaterial. The fifth loan was restructured during the third quarter 2011 and since that time $0.08 million of interest income has been recognized. The sixth loan was restructured during the third quarter of 2008 and since that time $0.5 million of interest income has been recognized. In addition, the Bank has no commitment to lend additional funds to these debtors.

The terms of certain other loans were modified during the year ended December 31, 2012 that did not meet the definition of a TDR. These loans have a total recorded investment as of December 31, 2012 of $50.3 million. The modification of these loans involved a modification of the terms of loans to borrowers who were not experiencing financial difficulties.

Related Party Loans

Certain directors, executive officers, and their related parties, including their immediate families and companies in which they are principal owners, were loan customers of the Bank during 2012 and 2011.

The following table sets forth selected information about related party loans at December 31, 2012:

(In thousands)	Balance Outstanding
Balance at December 31, 2011	$ 1,050
New loans	—
Effective change in related parties	—
Advances	745
Repayments	(524)
Balance at December 31, 2012	$ 1,271

4. PREMISES AND EQUIPMENT

Premises and equipment consist of:

December 31,	**2012**	2011
(In thousands)		
Land	**$ 7,174**	$ 7,174
Building and improvements	**13,837**	13,720
Furniture, fixtures and equipment	**15,229**	12,445
Leasehold improvements	**6,803**	6,120
	$ 43,043	$ 39,459
Less: accumulated depreciation and amortization	**(17,042)**	(15,288)
	$ 26,001	$ 24,171

5. DEPOSITS

Time Deposits

The following table sets forth the remaining maturities of the Bank’s time deposits at December 31, 2012:

(In thousands)	Less than $100,000	$100,000 or Greater	Total
2013	$ 25,667	$ 94,547	$ 120,214
2014	7,970	12,110	20,080
2015	1,370	3,519	4,889
2016	830	1,752	2,582
2017	2,687	6,796	9,483
Total	$ 38,524	$ 118,724	$ 157,248

Deposits from principal officers, directors and their affiliates at December 31, 2012 and 2011 were approximately $5.5 million and $4.7 million, respectively. Public fund deposits at December 31, 2012 and 2011 were $269.8 million and $232.0 million, respectively.

6. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

At December 31, 2012, 2011 and 2010, securities sold under agreements to repurchase totaled $12.4 million, $16.9 million and $16.4 million, respectively, and were secured by U.S. GSE, residential mortgage-backed securities and residential collateralized mortgage obligations with a carrying amount of $17.1 million, $23.3 million and $22.3 million, respectively.

Securities sold under agreements to repurchase are financing arrangements with $2.4 million maturing during the first quarter of 2013 and $10.0 million maturing during the first quarter of 2015. At maturity, the securities underlying the agreements are returned to the Company. Information concerning the securities sold under agreements to repurchase is summarized as follows:

(Dollars in thousands)	**2012**	2011	2010
Average daily balance during the year	**$ 13,016**	$ 16,715	$ 16,648
Average interest rate during the year	**3.01%**	3.23%	3.10%
Maximum month-end balance during the year	**$ 16,722**	$ 17,469	$ 17,192
Weighted average interest rate at year-end	**2.99%**	3.18%	3.21%

7. 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 subsidiary, Bridge Statutory Capital Trust II. The TPS have a liquidation amount of $1,000 per security and are convertible into our common stock, at an effective conversion price of $31 per share. The TPS mature in 30 years but are callable by the Company at par any time after September 30, 2014.

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

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

8. DERIVATIVES

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swap does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

An interest rate swap with a notional amount totaling $15.0 million was entered into on June 28, 2012 and was designated as a cash flow hedge of certain Federal Home Loan Bank advances. The swap was determined to be fully effective during the period presented and therefore no amount of ineffectiveness has been included in net income. The aggregate fair value of the swaps is recorded in other assets with changes in fair value recorded in other comprehensive income (loss). The amount included in accumulated other comprehensive income (loss) would be reclassified to current earnings if the hedge transaction becomes probable of not occurring. The Company expects the hedges to remain fully effective during the remaining term of the swap.

Summary information about the interest rate swap designated as a cash flow hedge as of December 31, 2012 is as follows:

(Dollars in thousands)	**As of December 31, 2012**
Notional amounts	**$ 15,000**
Weighted average pay rates	**0.99%**
Weighted average receive rates	**0.31%**
Weighted average maturity	**4.49 years**
Unrealized gains (losses)	**$ (176)**

Interest expense recorded on this swap transaction totaled $45,000 for the twelve months ended December 31, 2012 and is reported as a component of interest expense on FHLB Advances.

Cash Flow Hedge

The following table presents the net gains (losses), net of tax, recorded in accumulated other comprehensive income and the Consolidated Statements of Income relating to the cash flow derivative instruments for the twelve months ended December 31, 2012.

	2012		
(In thousands)	**Amount of gain (loss) recognized in OCI (Effective Portion)**	**Amount of gain (loss) reclassified from OCI to interest income**	**Amount of gain (loss) recognized in other non-interest income (Ineffective Portion)**
Interest rate contracts	**$ (106)**	**$ —**	**$ —**

The following table reflects the cash flow hedge included in the Consolidated Balance Sheet as of December 31, 2012:

(In thousands)	2012 Notional Amount	2012 Fair Value
Included in other liabilities:		
Interest rate swap related to FHLB Advance	**$ 15,000**	**$ (176)**

9. INCOME TAXES

The components of income tax expense are as follows:

Years Ended December 31, (In thousands)	**2012**	2011	2010
Current:			
Federal	**$ 5,660**	$ 3,700	$ 3,340
State	**582**	603	530
	6,242	4,303	3,870
Deferred:			
Federal	**(229)**	469	347
State	**67**	(109)	(170)
	(162)	360	177
Income tax expense	**$ 6,080**	$ 4,663	$ 4,047

The reconciliation of the expected Federal income tax expense at the statutory tax rate to the actual provision follows:

Years Ended December 31,	**2012**		2011		2010	
(Dollars in thousands)	**Amount**	**Percentage of Pre-tax Earnings**	Amount	Percentage of Pre-tax Earnings	Amount	Percentage of Pre-tax Earnings
Federal income tax expense computed by applying the statutory rate to income before income taxes	**$ 6,479**	**34%**	$ 5,134	34%	$ 4,492	34%
Tax exempt interest	**(878)**	**(5)**	(896)	(6)	(817)	(6)
State taxes, net of federal income tax benefit	**445**	**2**	341	2	262	2
Other	**34**	**1**	84	1	110	1
Income tax expense	**$ 6,080**	**32%**	$ 4,663	31%	$ 4,047	31%

Deferred income tax assets and liabilities are comprised of the following:

December 31,	2012	2011
(In thousands)		
Deferred tax assets:		
Allowance for loan losses	**$ 6,144**	$ 4,592
Restricted stock awards	**777**	710
Purchase accounting fair value adjustments	**777**	1,168
Net operating loss carryforward	**516**	617
Other	**276**	456
Total	**8,490**	7,543
Deferred tax liabilities:		
Pension and SERP expense	**(2,765)**	(2,124)
Depreciation	**(1,386)**	(1,411)
REIT undistributed net income	**(657)**	(627)
Net deferred loan costs and fees	**(602)**	(440)
Other	**(281)**	(304)
Total	**(5,691)**	(4,906)
Total before other comprehensive income	**2,799**	2,637
Deferred tax liabilities:		
Net unrealized gains on securities	**(1,803)**	(3,774)
Deferred tax assets:		
Net change in pension liability	**2,036**	2,205
Net change in cash flow hedge	**70**	—
Net deferred tax asset	**$ 3,102**	$ 1,068

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the State of New York. The Company is no longer subject to examination by taxing authorities for years before 2009. The Company does not expect the total amount of unrecognized income tax benefits to significantly increase in the next twelve months.

10. EMPLOYEE BENEFITS

a) Pension Plan and Supplemental Executive Retirement Plan

The Bank maintains a noncontributory pension plan covering all eligible employees. The Bank uses a December 31st measurement date for this plan in accordance with FASB ASC 715-30 *"Compensation – Retirement Benefits – Defined Benefit Plans – Pension"*. In September 2011, the Bank transferred all of the Plan assets out of the New York State Bankers Association Retirement System to the new Trustee, Bank of America, N.A. During 2012, the Company amended the pension plan revising the formula for determining benefits effective January 1, 2013, except for certain grandfathered employees. Additionally, new employees hired on or after October 1, 2012 are not eligible for the pension plan.

During 2001, the Bank adopted the Bridgehampton National Bank Supplemental Executive Retirement Plan ("SERP"). The 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.

Information about changes in obligations and plan assets of the defined benefit pension plan and the defined benefit plan component of the SERP are as follows:

At December 31,	Pension Benefits		SERP Benefits	
	2012	2011	**2012**	2011
(In thousands)				
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 11,584**	$ 8,761	**$ 1,731**	$ 1,542
Service cost	**1,131**	919	**120**	109
Interest cost	**508**	483	**52**	57
Benefits paid and expected expenses	**(366)**	(234)	**(112)**	(112)
Assumption changes and other	**1,345**	1,655	**208**	135
Plan amendment	**(1,095)**	—	—	—
Benefit obligation at end of year	**$ 13,107**	$ 11,584	**$ 1,999**	$ 1,731
Change in plan assets, at fair value:				
Plan assets at beginning of year	**$ 13,403**	$ 11,023	**$ —**	$ —
Actual return on plan assets	**1,600**	20	**—**	—
Employer contribution	**2,500**	2,727	**112**	112
Benefits paid and actual expenses	**(378)**	(367)	**(112)**	(112)
Plan assets at end of year	**$ 17,125**	$ 13,403	**$ —**	$ —
Funded status (plan assets less benefit obligations)	**$ 4,018**	$ 1,819	**$ (1,999)**	$ (1,731)

Amounts recognized in accumulated other comprehensive income at December 31, consist of:

At December 31,	Pension Benefits		SERP Benefits	
	2012	2011	**2012**	2011
(In thousands)				
Net actuarial loss	**$ 5,561**	$ 5,060	**$ 406**	$ 200
Prior service cost	**71**	81	—	—
Transition obligation	—	—	**142**	170
Plan amendment	**(1,094)**	—	—	—
Net amount recognized	**$ 4,538**	$ 5,141	**$ 548**	$ 370

The accumulated benefit obligation was $11.6 million and $1.6 million for the pension plan and the SERP, respectively, as of December 31, 2012. As of December 31, 2011, the accumulated benefit obligation was $9.4 million and $1.5 million for the pension plan and the SERP, respectively.

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income

At December 31,	Pension Benefits			SERP Benefits		
	2012	2011	2010	**2012**	2011	2010
(In thousands)						
Components of net periodic benefit cost and other amounts recognized in Other Comprehensive Income						
Service cost	**$ 1,131**	$ 919	$ 769	**$ 120**	$ 109	$ 96
Interest cost	**508**	483	434	**52**	57	62
Expected return on plan assets	**(993)**	(761)	(681)	—	—	—
Amortization of net loss	**248**	102	104	—	—	—
Amortization of unrecognized prior service cost	**10**	9	9	—	—	—
Amortization of unrecognized transition (asset) obligation	—	—	—	**30**	28	28
Net periodic benefit cost	**$ 904**	$ 752	$ 635	**$ 202**	$ 194	$ 186
Net (gain) loss	**$ (345)**	$ 2,529	$ 254	**$ 208**	$ 136	$ (22)
Prior service cost	—	—	—	—	—	—
Transition obligation	—	—	—	—	—	—
Amortization of net gain	**(248)**	(102)	(104)	—	—	—
Amortization of prior service cost	**(10)**	(9)	(9)	—	—	—
Amortization of transition obligation	—	—	—	**(30)**	(28)	(28)
	(603)	2,418	141	**178**	108	(50)
Deferred taxes	**240**	(960)	(56)	**(71)**	(43)	20
Total recognized in other comprehensive income	**(363)**	1,458	85	**107**	65	(30)
Total recognized in net periodic benefit cost and other comprehensive income	**$ 541**	$ 2,210	$ 720	**$ 309**	$ 259	$ 156

The estimated net loss, transition obligation and prior service credit for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $288,000, $0 and $77,000, respectively. The estimated net loss and unrecognized net transition obligation for the SERP that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $15,000 and $28,000, respectively.

Expected Long-Term Rate-of-Return

The expected long-term rate-of-return on plan assets reflects long-term earnings expectations on existing plan assets and those contributions expected to be received during the current plan year. In estimating that rate, appropriate consideration was given to historical returns earned by plan assets in the fund and the rates of return expected to be available for reinvestment. Average rates of return over the past 1, 3, 5 and 10-year periods were determined and subsequently adjusted to reflect current capital market assumptions and changes in investment allocations.

	Pension Benefits			SERP Benefits		
At December 31,	**2012**	2011	2010	**2012**	2011	2010
Weighted Average Assumptions Used to Determine Benefit Obligations						
Discount rate	**4.20%**	4.53%	5.58%	**3.90%**	3.13%	3.87%
Rate of compensation increase	**3.00**	3.00	3.50	**5.00**	5.00	5.00
Weighted Average Assumptions Used to Determine Net Periodic Benefit Cost						
Discount rate	**4.53%**	5.58%	5.89%	**3.13%**	3.87%	4.31%
Rate of compensation increase	**3.00**	3.50	4.00	**5.00**	5.00	5.00
Expected long-term rate of return	**7.50**	7.00	7.50	**—**	—	—

Plan Assets

The Plan seeks to provide retirement benefits to the employees of the Bank who are entitled to receive benefits under the Plan. The Plan Assets are overseen by a Committee comprised of management, who meet quarterly, and set the investment policy guidelines.

The Plan's overall investment strategy is to achieve a mix of approximately 97% of investments for long-term growth and 3% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers.

Cash equivalents consist primarily of short term investment funds.

Equity securities primarily include investments in common stock, mutual funds, depository receipts and exchange traded funds.

Fixed income securities include corporate bonds, government issues, mortgage backed securities, high yield securities and mutual funds.

The weighted average expected long term rate-of-return is estimated based on current trends in Plan assets as well as projected future rates of return on those assets and reasonable actuarial assumptions based on the guidance provided by ASOP No. 27 for the real and nominal rate of investment return for a specific mix of asset classes. The following assumptions were used in determining the long-term rate-of-return:

The long term rate of return considers historical returns for the S&P 500 index and long term U.S. government bonds from 1926 to 2012 representing cumulative returns of approximately 9.8% and 5.7%, respectively. These returns were considered along with the target allocations of asset categories.

Effective August 30, 2011, the Plan revised its investment guidelines. Except for pooled vehicles and mutual funds, which are governed by the prospectus and unless expressly authorized by management, the Plan and its investment managers are prohibited from purchasing the following investments:

- Purchases of letter stock, private placements, or direct payments
- Purchases of securities not readily marketable
- Pledging or hypothecating securities, except for loans of securities that are fully collateralized
- Purchasing or selling derivative securities for speculation or leverage
- Investments by the investment managers in their own securities, their affiliates or subsidiaries (excluding money market funds)
- Purchases of Bridge Bancorp stock

The target allocations for Plan assets are shown in the table below:

		Percentage of Plan Assets At December 31,		Weighted-Average Expected Long-term Rate of Return
	Target Allocation 2013	**2012**	2011	
Asset Category				
Cash Equivalents	0 – 5%	**9.4%**	21.6%	—
Equity Securities	45 - 65%	**54.2%**	43.1%	4.7%
Fixed income securities	35 - 55%	**36.4%**	35.3%	2.8%
Total		**100.0%**	100.0%	7.5%

Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an 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. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

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.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments valued using the Net Asset Value ("NAV") are classified as level 2 if the System can redeem its investment with the investee at the NAV at the measurement date. If the System can never redeem the investment with the investee at the NAV, it is considered a level 3. If the System can redeem the investment at the NAV at a future date, the System's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

In accordance with FASB ASC 715-20, the following table represents the Plan's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2012 and 2011:

		Fair Value Measurements at December 31, 2012 Using:		
(Dollars in thousands)	**Carrying Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and Cash Equivalents				
Cash	**$ 24**	**$ 24**		
Short term investment funds	**1,591**	**—**	**$ 1,591**	
Total cash equivalents	**1,615**	**24**	**1,591**	
Equities:				
U.S. Large cap	**8,075**	**8,075**		
U.S. Mid cap	**596**	**596**		
International	**601**	**601**		
Total equities	**9,272**	**9,272**		
Fixed income securities:				
Government issues	**1,717**		**1,717**	
Corporate bonds	**1,396**		**1,396**	
High yield bonds and bond funds	**3,125**		**3,125**	
Total fixed income securities	**6,238**		**6,238**	
Total Plan Assets	**$ 17,125**	**$ 9,296**	**$ 7,829**	

		Fair Value Measurements at December 31, 2011 Using:		
(Dollars in thousands)	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents				
Cash	$ 2,563	$ 2,563		
Short term investment funds	336	—	$ 336	
Total cash equivalents	2,899	2,563	336	
Equities:				
U.S. Large cap	3,388	3,388		
U.S. Mid cap	326	326		
U.S. Small cap	326	326		
International	1,739	1,739		
Total equities	5,779	5,779		
Fixed income securities:				
Government issues	1,589		1,589	
Corporate bonds	1,078		1,078	
High yield bonds and bond funds	2,058		2,058	
Total fixed income securities	4,725		4,725	
Total Plan Assets	$ 13,403	$ 8,342	$ 5,061	

The Company expects to contribute $2.0 million to the pension plan during 2013.

Estimated Future Payments

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

Year	Pension and SERP Payments
(In thousands)	
2013	$ 560,186
2014	606,708
2015	657,058
2016	740,152
2017	900,932
Following 5 years	7,103,618

b) 401(k) Plan

The Company provides a 401(k) plan which covers substantially all current employees. Newly hired employees can elect to participate in the savings plan after completing six months of service. Under the provisions of the savings plan, employee contributions are partially matched by the Bank with cash contributions. Participants can invest their account balances into several investment alternatives. The savings plan does not allow for investment in the Company's common stock. During the years ended December 31, 2012, 2011 and 2010 the Bank made cash contributions of $263,000, $253,000, and $243,000 respectively.

c) Equity Incentive Plan

On May 4, 2012 the Bridge Bancorp, Inc. 2012 Stock-Based Incentive Plan (the "2012 Plan") was approved by the shareholders to provide for the grant of stock-based and other incentive awards to officers, employees and directors of the Company. The plan supersedes the Bridge Bancorp, Inc. Equity Incentive Plan that was approved in 2006 (the "2006 Plan"). The number of shares of Common Stock of Bridge Bancorp, Inc. available for stock-based awards under the 2012 Plan is 525,000 plus 278,385 shares that were remaining under the 2006 Plan. Of the total 803,385 shares of common stock approved for issuance under the Plan, 800,809 shares remain available for issuance at December 31, 2012.

The Compensation Committee of the Board of Directors determines awards under the Plan. The Company accounts for this Plan under FASB ASC No. 718 and 505.

Stock Options

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option-pricing model. No new grants of stock options were awarded during the years ended December 31, 2012, 2011, and 2010.

A summary of the status of the Company's stock options as of December 31, 2012 follows:

(Dollars in thousands, except per share amounts)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, December 31, 2011	54,223	$ 25.05		
Granted	—	—		
Exercised	(1,500)	$ 15.47		
Forfeited	(2,761)	$ 25.28		
Expired	—	—		
Outstanding, December 31, 2012	49,962	$ 25.32	3.44 years	$ 3
Vested and Exercisable, December 31, 2012	49,962	$ 25.32	3.44 years	$ 3

Range of Exercise Prices	Number of Options	Exercise Price
	600	$ 15.47
	4,572	$ 24.00
	39,659	$ 25.25
	3,000	$ 26.55
	2,131	$ 30.60
	49,962	

The aggregate intrinsic value for options outstanding and exercisable as of December 31, 2012 is the same because all options are currently vested.

A summary of activity related to the stock options follows:

December 31,	**2012**	2011	2010
(In thousands)			
Intrinsic value of options exercised	**$ 7**	$ —	$ 16
Cash received from options exercised	**—**	—	17
Tax benefit realized from option exercises	**—**	—	6
Weighted average fair value of options granted	**—**	—	—

There was no compensation expense attributable to stock options in 2012 because all stock options were vested. Compensation expense attributable to stock options was $0 and $41,000 for the years ended December 31, 2011 and 2010, respectively.

Restricted Stock Awards

A summary of the status of the Company's shares of unvested restricted stock for the year ended December 31, 2012 follows:

	Shares	Weighted Average Grant-Date Fair Value
Unvested, December 31, 2011	211,371	$ 21.56
Granted	21,993	$ 19.82
Vested	(55,207)	$ 21.46
Forfeited	(230)	$ 22.06
Unvested, December 31, 2012	177,927	$ 21.38

The 2012 Plan provides for issuance of restricted stock awards. During the year ended December 31, 2012, the Company granted restricted stock awards of 21,993 shares. These shares vest over approximately five years with a third vesting after years three, four and five. During the year ended December 31, 2011, the Company granted restricted stock awards of 68,588 shares. Of the 68,588 shares granted, 5,000 shares vest ratably over three years, 44,588 shares vest over approximately five years with a third vesting after

years three, four and five and 19,000 shares vest over approximately 7 years with a third vesting after years five, six and seven. During the year ended December 31, 2010, the Company granted restricted stock awards of 43,850 shares. Of the 43,850 shares granted, 29,420 shares vest over five years with a third vesting after years three, four and five and 10,000 shares vest over approximately 7 years with a third vesting after years five, six and seven. The remaining 4,430 vest ratably over approximately five years. Such shares are subject to restrictions based on continued service as employees of the Company or its subsidiaries. Compensation expense attributable to these awards was approximately $1,185,000, $909,000 and $728,000 for the years ended December 31, 2012, 2011, and 2010, respectively. The total fair value of shares vested during the years ended December 31, 2012, 2011 and 2010 was $1,140,000, $774,000 and $280,000, respectively. As of December 31, 2012, there was $2,466,000 of total unrecognized compensation costs related to nonvested restricted stock awards granted under the Plan. The cost is expected to be recognized over a weighted-average period of 3.5 years.

Restricted Stock Units

In April 2009, the Company adopted a Directors Deferred Compensation Plan. Under the Plan, independent directors may elect to defer all or a portion of their annual retainer fee in the form of restricted stock units. In addition, Directors receive a non-election retainer in the form of restricted stock units. These restricted stock units vest ratably over one year and have dividend rights but no voting rights. In connection with this Plan, the Company recorded expenses of approximately $158,000, $138,000 and $112,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

11. 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 following is a reconciliation of earnings per share for December 31, 2012, 2011 and 2010:

For the Years Ended December 31,	**2012**	2011	2010
(In thousands, except per share data)			
Net Income	**$ 12,772**	$ 10,359	$ 9,166
Less: Dividends paid on and earnings allocated to participating securities	**(328)**	(299)	(243)
Income attributable to common stock	**$ 12,444**	$ 10,060	$ 8,923
Weighted average common shares outstanding, including participating securities	**8,633**	6,712	6,308
Less: weighted average participating securities	**(223)**	(193)	(170)
Weighted average common shares outstanding	**8,410**	6,519	6,138
Basic earnings per common share	**$ 1.48**	$ 1.54	$ 1.45
Income attributable to common stock	**$ 12,444**	$ 10,060	$ 8,923
Weighted average common shares outstanding	**8,410**	6,519	6,138
Weighted average common equivalent shares outstanding	**1**	1	1
Weighted average common and equivalent shares outstanding	**8,411**	6,520	6,139
Diluted earnings per common share	**$ 1.48**	$ 1.54	$ 1.45

There were 49,362 options outstanding at December 31, 2012 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 December 31, 2012, were not included in the computation of diluted earnings per share because the assumed conversion of the trust preferred securities was antidilutive.

12. COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

In the normal course of business, there are various outstanding commitments and contingent liabilities, such as claims and legal actions, minimum annual rental payments under non-cancelable operating leases, guarantees and commitments to extend credit, which are not reflected in the accompanying consolidated financial statements. No material losses are anticipated as a result of these commitments and contingencies.

a) Leases

At December 31, 2012, the Company was obligated to make minimum annual rental payments under non-cancelable operating leases for its premises. Projected minimum rentals under existing leases are as follows:

Year		
(In thousands)		
2013	$	1,658
2014		1,876
2015		1,590
2016		1,446
2017		1,391
Thereafter		11,455
Total minimum rentals	$	19,416

Certain leases contain rent escalation clauses which are reflected in the amounts listed above. In addition, certain leases provide for additional payments based upon real estate taxes, interest and other charges. Certain leases contain renewal options which are not reflected. Rental expenses under leases for the years ended December 31, 2012, 2011 and 2010 approximated $1.5 million, $1.2 million, and $1.2 million, respectively.

b) Loan commitments

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk of credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, often including obtaining collateral at exercise of the commitment.

The following represents commitments outstanding:

December 31,		**2012**		2011
(In thousands)				
Standby letters of credit	**$**	**3,800**	$	3,130
Loan commitments outstanding [1]		**64,336**		45,841
Unused lines of credit		**183,183**		155,209
Total commitments outstanding	**$**	**251,319**	$	204,180

(1) Of the $64.3 million of loan commitments outstanding at December 31, 2012, $21.3 million are fixed rate commitments and $43.0 million are variable rate commitments.

c) Other

During 2012, the Bank was required to maintain certain cash balances with the Federal Reserve Bank of New York for reserve and clearing requirements. The required cash balance at December 31, 2012 was $1.0 million. During 2012, the Federal Reserve Bank of New York offered higher interest rates on overnight deposits compared to our correspondent banks. Therefore the Bank invested overnight with the Federal Reserve Bank of New York and the average balance maintained during 2012 was $26.1 million.

During 2012, 2011 and 2010, the Bank maintained an overnight line of credit with the Federal Home Loan Bank of New York ("FHLB"). The Bank has the ability to borrow against its unencumbered residential and commercial mortgages and investment securities owned by the Bank. At December 31, 2012, the Bank had aggregate lines of credit of $282.5 million with unaffiliated correspondent banks to provide short-term credit for liquidity requirements. Of these aggregate lines of credit, $262.5 million is available on an unsecured basis. As of December 31, 2012, the Bank had $44.5 million of such borrowings outstanding.

In March 2001, the Bank entered into a Master Repurchase Agreement with the FHLB whereby the FHLB agrees to purchase securities from the Bank, upon the Bank's request, with the simultaneous agreement to sell the same or similar securities back to the Bank at a future date. Securities are limited, under the agreement, to government securities, securities issued, guaranteed or collateralized by any agency or instrumentality of the U.S. Government or any government sponsored enterprise, and non-agency AA and AAA rated mortgage-backed securities. At December 31, 2012, there was $487.5 million available for transactions under this agreement.

The Bank had $12.4 million of securities sold under agreements to repurchase outstanding as of December 31, 2012 (See Note 6).

13. FAIR VALUE

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.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at December 31, 2012 Using:		
(In thousands)	**Carrying Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets:				
Available for sale securities				
U.S. GSE securities	**$ 178,452**		**178,452**	
State and municipal obligations	**59,963**		**59,963**	
U.S. GSE Residential mortgage-backed securities	**20,597**		**20,597**	
U.S. GSE Residential collateralized mortgage obligations	**226,446**		**226,446**	
U.S. GSE Commercial mortgage-backed securities	**3,138**		**3,138**	
U.S. GSE Commercial collateralized mortgage obligations	**9,357**		**9,357**	
Non Agency commercial mortgage-backed securities	**4,989**		**4,989**	
Other Asset backed securities	**26,128**		**26,128**	
Total available for sale	**$ 529,070**		**$ 529,070**	
Financial Liabilities:				
Derivatives	**$ (176)**		**$ (176)**	

		Fair Value Measurements at December 31, 2011 Using:		
(In thousands)	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Available for sale securities				
U.S. GSE securities	$ 131,674		$ 131,674	
State and municipal obligations	54,219		54,219	
U.S. GSE Residential mortgage-backed securities	70,984		70,984	
U.S. GSE Residential collateralized mortgage obligations	179,325		179,325	
U.S. GSE Commercial collateralized mortgage obligations	5,237		5,237	
Total available for sale	$ 441,439		$ 441,439	

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

		Fair Value Measurements at December 31, 2012 Using:		
	Carrying Value	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(In thousands)				
Impaired loans	**$ 178**			**$ 178**

		Fair Value Measurements at December 31, 2011 Using:		
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
Impaired loans	$ 1,868			$ 1,868
Loans held for sale	2,300			2,300

The fair value of the loan is compared to the carrying value to determine if any write-down or specific reserve is required. These methods of fair value measurement for impaired loans are considered level 3 within the fair value hierarchy described in current accounting guidance. Impaired loans with allocated allowance for loan losses at December 31, 2012, had a carrying amount of $0.2 million, which is made up of the outstanding balance of $0.5 million, net of a valuation allowance of $0.3 million. This resulted in an additional provision for loan losses of $0.3 million that is included in the amount reported on the income statement. Impaired loans with allocated allowance for loan losses at December 31, 2011, had a carrying amount of $1.9 million, which is made up of the outstanding balance of $2.1 million, net of a valuation allowance of $0.2 million. This resulted in an additional provision for loan losses of $0.2 million that is included in the amount reported on the income statement. Charge-offs of $0.9 million were incurred on loans transferred to loans held for sale at December 31, 2011. No loans were transferred to loans held for sale in 2012.

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. Cash on hand and non-interest due from bank accounts are Level 1 and interest bearing Cash Due from Banks and Federal Funds Sold are Level 2.

Securities Available for Sale and Held to Maturity: The estimated fair values are based on independent dealer quotations on nationally recognized securities exchanges, if available (Level 1). For securities where quoted prices are not available, fair value is based on 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).

Restricted Securities: It is not practicable to determine the fair value of FHLB, ACBB and FRB stock due to restrictions placed on its transferability.

Derivatives: Represents an interest rate swap and the estimated fair values are based on valuation models using observable market data as of measurement date (Level 2).

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 resulting in a Level 3 classification. 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. All nonaccrual loans are carried at their current fair value. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price and therefore, while permissible for presentation purposed under ASC 825-10, do not conform with ASC 820-10.

Impaired Loans: For impaired loans, the Company evaluates the fair value of the loan in accordance with current accounting guidance. For loans that are collateral dependent, the fair value of the collateral is used to determine the fair value of the loan. The fair value of the collateral is determined based upon recent appraised values. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Adjustments may relate to location, square footage, condition, amenities, market rate of leases as well as timing of comparable sales. Such adjustments are generally capped at 15% of appraised value and typically result in a Level 3 classification of the inputs for determining fair value. These adjustments as of December 31, 2012 were not material to the financial statements. The fair value of the loan is compared to the carrying value to determine if any write-down or specific reserve is required. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, the Credit Administration department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On a quarterly basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value. Management also considers the appraisal values for commercial properties associated with current loan origination activity. Collectively, this information is reviewed to help assess current trends in commercial property values. For each collateral dependent impaired loan, management considers information that relates to the type of commercial property to determine if such properties may have appreciated or depreciated in value since the date of the most recent appraisal. Adjustments to fair value are made only when the analysis indicates a probable decline in collateral values.

Loans Held For Sale: Loans held for sale are carried at the lower of cost or fair values. The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market data, such as outstanding commitments from third party investors (Level 3).

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 resulting in a Level 2 classification. Stated value is fair value for all other deposits resulting in a Level 1 classification.

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 resulting in a Level 2 classification.

Junior Subordinated Debentures: The estimated fair value is based on estimates using market data for similarly risk weighted items and takes into consideration the convertible features of the debentures into common stock of the Company which is an unobservable input resulting in a Level 3 classification.

Accrued Interest Receivable and Payable: For these short-term instruments, the carrying amount is a reasonable estimate of the fair value resulting in a Level 1 or 2 classification.

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 December 31, 2012 and December 31, 2011.

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 Company's financial instruments are as follows:

(In thousands)	Carrying Amount	Fair Value Measurement at December 31, 2012 Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial Assets:					
Cash and due from banks	**$ 46,855**	**$ 46,855**	**$ —**	**$ —**	**$ 46,855**
Interest bearing deposits with banks	**4,394**	—	**4,394**	—	**4,394**
Securities available for sale	**529,070**	—	**529,070**	—	**529,070**
Securities restricted	**2,978**	**n/a**	**n/a**	**n/a**	**n/a**
Securities held to maturity	**210,735**	—	**213,702**	—	**213,702**
Loans, net	**784,007**	—	—	**807,597**	**807,597**
Accrued interest receivable	**5,436**	—	**2,945**	**2,491**	**5,436**
Financial Liabilities:					
Certificates of deposit	**157,248**	—	**158,764**	—	**158,764**
Demand and other deposits	**1,252,074**	**1,252,074**	—	—	**1,252,074**
Federal funds purchased and Federal Home Loan Bank overnight borrowings	**44,500**	**44,500**	—	—	**44,500**
Federal Home Loan Bank term advances	**15,000**	—	**14,824**	—	**14,824**
Repurchase agreements	**12,390**	—	**13,064**	—	**13,064**
Junior Subordinated Debentures	**16,002**	—	—	**17,101**	**17,101**
Derivatives	**176**	—	**176**	—	**176**
Accrued interest payable	**147**	**1**	**146**	—	**147**

December 31, (In thousands)	2011 Carrying Amount	2011 Fair Value
Financial Assets:		
Cash and due from banks	$ 25,921	$ 25,921
Interest bearing deposits with banks	53,625	53,625
Securities available for sale	441,439	441,439
Securities restricted	1,660	n/a
Securities held to maturity	169,153	170,952
Loans, net (including loans held for sale)	603,606	632,616
Accrued interest receivable	4,940	4,940
Financial liabilities:		
Demand and other deposits	1,188,185	1,190,080
Federal funds purchased and Federal Home Loan Bank overnight borrowings	—	—
Repurchase agreements	16,897	17,990
Junior subordinated debentures	16,002	16,915
Accrued interest payable	319	319

14. REGULATORY CAPITAL REQUIREMENTS

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 requirements 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 Bank's capital amounts and classifications 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 December 31, 2012, the Company and the Bank met all capital adequacy requirements.

As of December 31, 2012, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. Since that notification, there are no conditions or events that management believes have changed the institution's category.

The Company's and the Bank's actual capital amounts and ratios are presented in the following table:

Bridge Bancorp, Inc. (Consolidated)

As of December 31, **(Dollars In thousands)**	**2012**					
	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)	**$ 145,765**	**14.2%**	**$ 82,171**	**8.0%**	**n/a**	**n/a**
Tier 1 Capital (to risk weighted assets)	**132,906**	**12.9%**	**41,085**	**4.0%**	**n/a**	**n/a**
Tier 1 Capital (to average assets)	**132,906**	**8.4%**	**63,136**	**4.0%**	**n/a**	**n/a**

As of December 31, (Dollars In thousands)	2011					
	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)	$ 128,226	16.2%	$ 63,228	8.0%	n/a	n/a
Tier 1 Capital (to risk weighted assets)	118,334	15.0%	31,614	4.0%	n/a	n/a
Tier 1 Capital (to average assets)	118,334	9.3%	51,010	4.0%	n/a	n/a

Bridgehampton National Bank

As of December 31,	**2012**					
(Dollars In thousands)	**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)	**$ 140,487**	**13.7%**	**$ 82,155**	**8.0%**	**$ 102,693**	**10.0%**
Tier 1 Capital (to risk weighted assets)	**127,630**	**12.4%**	**41,077**	**4.0%**	**61,616**	**6.0%**
Tier 1 Capital (to average assets)	**127,630**	**8.1%**	**63,132**	**4.0%**	**78,915**	**5.0%**

As of December 31,	2011					
(In thousands)	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)	$ 115,383	14.6%	$ 63,213	8.0%	$ 79,016	10.0%
Tier 1 Capital (to risk weighted assets)	105,494	13.4%	31,606	4.0%	47,410	6.0%
Tier 1 Capital (to average assets)	105,494	8.3%	51,001	4.0%	63,751	5.0%

15. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed financial information of Bridge Bancorp, Inc. (Parent Company only) follows:

Condensed Balance Sheets

December 31,	**2012**	2011
(In thousands)		
ASSETS		
Cash and cash equivalents	**$ 5,203**	$ 13,002
Other assets	**199**	192
Investment in the Bank	**129,277**	110,028
Total Assets	**$ 134,679**	$ 123,222
LIABILITIES AND STOCKHOLDERS' EQUITY		
Junior subordinated debentures	**$ 16,002**	$ 16,002
Other liabilities	**5**	233
Total Liabilities	**16,007**	16,235
Total Stockholders' Equity	**118,672**	106,987
Total Liabilities and Stockholders' Equity	**$ 134,679**	$ 123,222

Condensed Statements of Income

Years ended December 31,	**2012**	2011	2010
(In thousands)			
Dividends from the Bank	**$ —**	$ —	$ 1,700
Interest expense	**1,365**	1,366	1,365
Non interest expense	**82**	69	43
Income before income taxes and equity in undistributed earnings of the Bank	**(1,447)**	(1,435)	292
Income tax benefit	**(466)**	(445)	(431)
Income before equity in undistributed earnings of the Bank	**(981)**	(990)	723
Equity in undistributed earnings of the Bank	**13,753**	11,349	8,443
Net income	**$ 12,772**	$ 10,359	$ 9,166

Condensed Statements of Cash Flows

Years ended December 31,	**2012**	2011	2010
(In thousands)			
Cash flows from operating activities:			
Net income	**$ 12,772**	$ 10,359	$ 9,166
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Equity in undistributed earnings of the Bank	**(13,753)**	(11,349)	(8,443)
(Increase) decrease in other assets	**(7)**	558	(450)
(Decrease) increase in other liabilities	**(227)**	198	(6)
Net cash (used in) provided by operating activities	**(1,215)**	(234)	267
Cash flows from investing activities:			
Investment in the Bank	**(7,000)**	(12,000)	—
Cash in lieu of fractional shares for business acquisition	—	(3)	—
Net cash used in investing activities	**(7,000)**	(12,003)	—
Cash flows from financing activities:			
Net proceeds from issuance of common stock	**10,507**	28,088	1,395
Net proceeds from exercise of stock options	—	—	17
Repurchase of surrendered stock from exercise of stock options and vesting of restricted stock awards	**(175)**	(128)	(37)
Excess tax (expense) benefit from share based compensation	**(18)**	(16)	11
Cash dividends paid	**(9,898)**	(6,061)	(5,787)
Net cash provided by (used in) financing activities	**416**	21,883	(4,401)
Net (decrease) increase in cash and cash equivalents	**(7,799)**	9,646	(4,134)
Cash and cash equivalents at beginning of year	**13,002**	3,356	7,490
Cash and cash equivalents at end of year	**$ 5,203**	$ 13,002	$ 3,356

16. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) components and related income tax effects were as follows:

Years Ended December 31,	**2012**	2011	2010
(In thousands)			
Unrealized holding (losses) gains on available for sale securities	**$ (2,321)**	$ 3,758	$ (1,518)
Reclassification adjustment for gains realized in income	**(2,647)**	(135)	(1,303)
Income tax effect	**1,972**	(1,438)	1,121
Net change in unrealized (loss) gain on available for sale securities	**(2,996)**	2,185	(1,700)
Change in fair value of derivatives used for cash flow hedges	**(176)**	—	—
Reclassification adjustment for gains realized in income	—	—	—
Income tax effect	**70**	—	—
Net change in unrealized loss on cash flow hedge	**(106)**	—	—
Change in post-retirement obligation	**425**	(2,527)	(91)
Income tax effect	**(169)**	1,003	36
Net change in post-retirement obligation	**256**	(1,524)	(55)
Total	**$ (2,846)**	$ 661	$ (1,755)

The following is a summary of the accumulated other comprehensive income balances, net of income tax:

(In thousands)	Balance as of December 31, 2011	Current Period Change	Balance as of December 31, 2012
Unrealized gains on available for sale securities	$ 5,734	$ (2,996)	$ 2,738
Unrealized losses on cash flow hedges	—	(106)	(106)
Unrealized losses on pension benefits	(3,306)	256	(3,050)
Total	$ 2,428	$ (2,486)	$ (418)

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected Consolidated Quarterly Financial Data

2012 Quarter Ended,	**March 31,**	**June 30,**	**September 30,**	**December 31,**
(In thousands, except per share amounts)				
Interest income	**$ 13,298**	**$ 13,677**	**$ 13,707**	**$ 13,832**
Interest expense	**1,898**	**1,872**	**1,889**	**1,896**
Net interest income	**11,400**	**11,805**	**11,818**	**11,936**
Provision for loan losses	**825**	**2,500**	**600**	**1,075**
Net interest income after provision for loan losses	**10,575**	**9,305**	**11,218**	**10,861**
Non interest income	**1,953**	**3,800**	**2,235**	**2,685**
Non interest expenses	**8,221**	**8,567**	**8,479**	**8,513**
Income before income taxes	**4,307**	**4,538**	**4,974**	**5,033**
Income tax expense	**1,368**	**1,475**	**1,614**	**1,623**
Net income	**$ 2,939**	**$ 3,063**	**$ 3,360**	**$ 3,410**
Basic earnings per share	**$ 0.35**	**$ 0.36**	**$ 0.39**	**$ 0.39**
Diluted earnings per share	**$ 0.35**	**$ 0.36**	**$ 0.39**	**$ 0.39**

2011 Quarter Ended,	March 31,	June 30,	September 30,	December 31,
(In thousands, except per share amounts)				
Interest income	$ 11,596	$ 12,333	$ 13,471	$ 13,026
Interest expense	1,812	1,872	1,949	1,983
Net interest income	9,784	10,461	11,522	11,043
Provision for loan losses	700	900	1,450	850
Net interest income after provision for loan losses	9,084	9,561	10,072	10,193
Non interest income	1,454	1,825	1,766	1,904
Non interest expenses	7,408	7,784	7,824	7,821
Income before income taxes	3,130	3,602	4,014	4,276
Income tax expense	970	1,126	1,241	1,326
Net income	$ 2,160	$ 2,476	$ 2,773	$ 2,950
Basic earnings per share	$ 0.34	$ 0.38	$ 0.41	$ 0.42
Diluted earnings per share	$ 0.34	$ 0.38	$ 0.41	$ 0.42

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee
Board of Directors
Bridge Bancorp, Inc.
Bridgehampton, New York

We have audited the accompanying consolidated balance sheets of Bridge Bancorp, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2012. We also have audited Bridge Bancorp, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Bridge Bancorp, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report By Management On Internal Control Over Financial Reporting located in Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on Bridge Bancorp, Inc.'s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bridge Bancorp, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Bridge Bancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Crowe Horwath LLP

Crowe Horwath LLP

New York, New York
March 13, 2013

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure 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 December 31, 2012. 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 the annual report.

Report By Management On Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and circumvention or overriding of controls. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the Company's internal control over financial reporting as of December 31, 2012. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2012, the Company maintained effective internal control over financial reporting based on those criteria.

The Company's independent registered public accounting firm that audited the financial statements that are included in this annual report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting. The attestation report of Crowe Horwath LLP appears on the previous page.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2012, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

"Item 1 – Election of Directors," "Compliance with Section 16 (a) of the Exchange Act," and "Code of Ethics" set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 3, 2013, are incorporated herein by reference.

Item 11. Executive Compensation

"Compensation of Directors," "Compensation of Executive Officers," "Report of the Compensation Committee on Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Employment Contracts and Severance Agreements" set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 3, 2013, are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

"Beneficial Ownership" and "Item 1 – Election of Directors", set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 3, 2013, are incorporated herein by reference.

Set forth below is certain information as of December 31, 2012, regarding the Company's equity compensation plans that have been approved by stockholders.

Equity Compensation Plan approved by Stockholders	Number of securities to be Issued upon Exercise of outstanding options and awards		Weighted Average Exercise Price with respect to Outstanding Stock Options	Number of Securities Remaining Available for Issuance under the Plan
1996 Equity Incentive Plan	10,303	$	25.61	—
2006 Equity Incentive Plan	241,430	$	25.25	—
2012 Equity Incentive Plan	—		—	800,809
Total	251,733	$	25.32	800,809

Item 13. Certain Relationships and Related Transactions, and Director Independence

"Certain Relationships and Related Transactions", and "Director Nominations" set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 3, 2013, is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

"Item 2 - Ratification of the Appointment of the Independent Registered Public Accounting Firm" "Fees Paid to Crowe Horwath," and "Policy on Audit Committee Pre-approval of Audit and Non-audit Services of Independent Registered Public Accounting Firm" set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 3, 2013, is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following Consolidated Financial Statements, including notes thereto, and financial schedules of the Company, required in response to this item are included in Part II, Item 8.

1. Financial Statements — Page No.

Consolidated Balance Sheets	36
Consolidated Statements of Income	37
Consolidated Statements of Comprehensive Income	38
Consolidated Statements of Stockholders' Equity	39
Consolidated Statements of Cash Flows	40
Notes to Consolidated Financial Statements	41
Report of Independent Registered Public Accounting Firm	79

2. Financial Statement Schedules

Financial Statement Schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto under Item 8, "Financial Statements and Supplementary Data."

3. Exhibits.

See Index of Exhibits on page 83.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	BRIDGE BANCORP, INC. Registrant
March 13, 2013	/s/ Kevin M. O'Connor Kevin M. O'Connor President and Chief Executive Officer
March 13, 2013	/s/ Howard H. Nolan Howard H. Nolan Senior Executive Vice President and Chief Financial Officer
March 13, 2013	/s/ Sarah K. Quinn Sarah K. Quinn Vice President, Controller and Principal Accounting Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 13, 2013	/s/ Marcia Z. Hefter Marcia Z. Hefter	,Director
March 13, 2013	/s/ Dennis A. Suskind Dennis A. Suskind	,Director
March 13, 2013	/s/ Kevin M. O'Connor Kevin M. O'Connor	,Director
March 13, 2013	/s/ Emanuel Arturi Emanuel Arturi	,Director
March 13, 2013	/s/ Antonia M. Donohue Antonia M. Donohue	,Director
March 13, 2013	/s/ Charles I. Massoud Charles I. Massoud	,Director
March 13, 2013	/s/ Albert E. McCoy Jr. Albert E. McCoy Jr.	,Director
March 13, 2013	/s/ Howard H. Nolan Howard H. Nolan	,Director
March 13, 2013	/s/ Rudolph J. Santoro Rudolph J. Santoro	,Director
March 13, 2013	/s/ Thomas J. Tobin Thomas J. Tobin	,Director

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Exhibit
2.1	Agreement and Plan of Merger and among Bridge Bancorp, Inc., The Bridgehampton National Bank and Hamptons State Bank (incorporated by reference to Registrant's Form 8-K, File No. 0-18546, filed February 10, 2011)	*
3.1	Certificate of Incorporation of the registrant (incorporated by reference to Registrant's amended Form 10, File No. 0-18546, filed October 15, 1990)	*
3.1(i)	Certificate of Amendment of the Certificate of Incorporation of the Registrant (incorporated by reference to Registrant's Form 10, File No. 0-18546, filed August 13, 1999)	*
3.1(ii)	Certificate of Amendment of the Certificate of Incorporation of the Registrant (incorporated by reference to Registrant's Definitive Proxy Statement, File No. 0-18546, filed November 18, 2008)	*
3.2	Revised By-laws of the Registrant (incorporated by reference to Registrant's Form 8-K, File No. 0-18546, filed December 17, 2007)	*
10.1	Amended and Restated Employment Contract - Thomas J. Tobin (incorporated by reference to Registrant's Form 8-K, File No. 0-18546, filed October 9, 2007)	*
10.2	Amended and Restated Employment Contract – Howard H. Nolan (incorporated by reference to Registrant's Form 8-K, File No. 0-18546, filed June 27, 2012)	*
10.3	Employment Contract – Kevin M. O'Connor (incorporated by reference to Registrant's Form 8-K, File No. 0-18546, filed October 9, 2007)	*
10.5	Equity Incentive Plan (incorporated by reference to Registrant's Form S-8, File No. 0-18546, filed August 14, 2006)	*
10.6	Supplemental Executive Retirement Plan (Revised for 409A) (incorporated by reference to Registrant's Form 10-K, File No. 0-18546, filed March 14, 2008)	*
23	Consent of Independent Registered Public Accounting Firm	
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 U.S.C. Section 1350	
101	The following financial statements from Bridge Bancorp, Inc.'s Annual Report on Form 10-K for the Year Ended December 31, 2012, filed on March XX, 2013, formatted in XBRL: (i) Consolidated Balance Sheets as of December 31, 2012 and December 31, 2011, (ii) Consolidated Statements of Income for the Years Ended December 31, 2012, 2011 and 2010, (iii) Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2012, 2011 and 2010, (iv) Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2012, 2011 and 2010, (v) Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010, and (vi) the Notes to Consolidated Financial Statements. (1)	
101.INS	XBRL Instance Document (1)	
101.SCH	XBRL Taxonomy Extension Schema Document (1)	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)	
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document (1)	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)	
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document (1)	

(1) Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

* Denotes incorporated by reference.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-3 and S-8 (File Numbers: 333-136600, 333-185646, and 333-182373) of Bridge Bancorp, Inc. of our report dated March 13, 2013 with respect to the consolidated financial statements of Bridge Bancorp, Inc. and the effectiveness of internal control over financial reporting, which report appears in this Annual Report on Form 10-K of Bridge Bancorp, Inc. for the year ended December 31, 2012.

Crowe Horwath LLP

Crowe Horwath LLP

New York, New York
March 13, 2013

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A)

I, Kevin M. O'Connor, certify that:

1) I have reviewed this annual report on Form 10-K of Bridge Bancorp, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2013

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

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A)

I, Howard H. Nolan, certify that:

1) I have reviewed this annual report on Form 10-K of Bridge Bancorp, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 13, 2013

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

This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

EXHIBIT 32.1

CERTIFICATION PURSUANT TO RULE 13A-14(B) 18 U.S.C. SECTION 1350,

As adopted pursuant to

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Bridge Bancorp, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on March 13, 2013, (the “Report”), we, Kevin M. O’Connor, President and Chief Executive Officer of the Company and, Howard H. Nolan, Senior Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2013

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

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

A signed original of this written statement required by Section 906 has been provided to Bridge Bancorp, Inc. and will be retained by Bridge Bancorp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

[This Page Intentionally Left Blank]