Operator: Good afternoon. My name is (Natasha) and I will be your conference operator today. At this time, I would like to welcome everyone to the Bridge Capital Holdings 2010 First Quarter Earnings conference call. All lines have been placed on mute to prevent any background noise. After the speaker’s remarks there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key, thank you.

Debra Bradford Senior Vice President of Bridge Capital Holdings, you may begin your conference.

Debra Bradford: Thank you. Good afternoon and welcome to Bridge Capital Holdings conference call to discuss the financial results for the first quarter of 2010. Joining me today from management are President and Chief Executive Officer Dan Myers and Executive Vice President and Chief Financial Officer Tom Sa.

We have allotted approximately one hour for today's call and we plan to conclude the call at 6 p.m. Eastern Time. Please note that some of the information you will hear during our discussion today will constitute forward looking statements including, for example, management’s expectations concerning future operating results, earnings per share, loan loss provisions, capital ratios and the performance or value of certain assets.
Forward-looking statements are subject to risks that may cause actual results to differ materially. Factors that might cause results to differ include, but are not limited to, changes in general economic conditions including the real estate and financial markets, changes in interest rates, future credit loss experience and the risks described in our annual reports on Forms 10-K and our quarterly reports on Forms 10-Q that are on file with the Securities and Exchange Commission. We are not obligated to publicly revise these forward looking statements to reflect subsequent events or circumstances. With that, I would now like to introduce Dan Myers, Dan.

Thank you, Debra. Good afternoon, everyone, and thank you for joining us for our call today. This afternoon we issued a news release outlining our operating results for the first quarter of 2010. Despite the continued challenging environment, we were able to generate an operating profit of $365,000. After paying dividends on our preferred stock, we reported a net loss of $695,000 or 11 cents per share for the quarter.

As we have discussed in the past, we took a very aggressive posture in 2008 with respect to positioning the bank to manage through the economic downturn. We raised capital, increased our liquidity, reduced our exposure to riskier asset classes and aggressively resolved problem assets. These actions had a negative impact on near-term earnings, but we believe they were ultimately in the best long-term interest of the bank and company.

During the first quarter we saw further evidence of the benefits of taking these actions and the positive trends we are experiencing in nearly all areas of our operations. I would like to take a few minutes to review a few of the most meaningful trends.

Our credit quality continues to improve and we saw a further reduction in nonperforming assets. At March 31st our nonperforming assets were 2.31 percent of total assets down from 2.79 percent at the end of the year. The decline is attributable to the continued resolution of our legacy construction models. We have been very successful in resolving these construction loans without driving large additional charge-offs and in some cases resulting in
recoveries, which indicates that the marks we took on these loans were sufficiently conservative.

Our net charge-offs were just 19 basis points of total loans in the first quarter down from 31 basis points last quarter. Our construction and land development portfolio now stands at just $46.6 million, a substantial reduction from the $109.3 million at the end of the first quarter of last year.

We believe that the actions taken over the past several quarters have enabled us to minimize the portion of the portfolio that has the potential for the greatest loss severity. We are not seeing meaningful deterioration in the remaining legacy construction loans and the remainder of the portfolio is demonstrating good stability. In addition, our total delinquencies remain low at approximately $1 million which boards well for the continued improvement in our asset quality.

The second positive trend is in deposit growth. Our total deposits increased by 2 percent during the first quarter to $718.6 million. The strongest growth occurred in non-interest bearing demand deposits, which increased 7.1 percent in the quarter and money market and savings accounts, which increased 5.1 percent. The strong growth in these areas enabled us to further reduce our balances of higher cost time deposits. Our core deposits now represent almost 91 percent of our total deposit base.

The third positive trend is in our net interest margin, which increased to 5.05 percent in the first quarter from 4.68 percent last quarter. The expansion at our net interest margin is partially attributable to the lower cost of funds resulting from our improved deposit mix. The company's all-in cost of funds for the quarter was 50 basis points.

And finally, our capital ratios continue to improve and remain in excess of regulatory definitions for a well-capitalized institution. Tom will have a little more discussion on our capital ratios later in the call. As a result of these trends, we are well positioned to increasingly look forward to capitalizing on opportunities we see in the market. We have both the capacity and the appetite to lend and the ability to fund new loans with low-cost core deposits.
We are actively engaging our markets with the strategy of acquiring new business clients, capturing primary DDA relationship deposits and extending appropriate credit commitments to new credit worthy borrowers.

Our efforts continue to steadily increase our client base. In the first quarter, we added 90 new business relationships representing nearly $40 million in gross new relationship deposits with most of those deposit dollars in DDA and we issued over $125 million in new credit commitments to credit worthy borrowers.

While loan demand in many areas of the economy continues to be sluggish we are seeing pockets of strength that are right in our sweet spot, in particular, factoring in asset-based lending to technology companies. We know this space well and have established a strong reputation in our markets which has enabled us to develop a substantial number of new relationships the technology companies that are looking to finance their growth. As a result, we are seeing modest growth in our loan portfolio.

The demand we are seeing is consistent with other trends being seen in the tech sector, such as a notable increase in hiring among companies in and around the Silicon Valley region. Larger companies such as Intel, Google and Cisco have indicated they are adding to their headcount as have smaller companies such as Twitter and LinkedIn.

We are definitely seeing the initial signs of increased spending and economic activity in Silicon Valley and we are optimistic that this will eventually lead to increased utilization of credit lines. Utilization rates are currently averaging in the low 30 percent range when they are historically around 50 percent.

Given the number of loan commitments we have made over the past several quarters, we should see significant increase in interest income as utilization rates gradually return to their historical levels. Of course, this scenario depends upon continued recovery of the Silicon Valley economy.

The strength of our balance sheet and our minimal exposure to the riskiest asset classes has also put us in good position to capitalize on select attractive
construction lending opportunities that emerge in our local market. With many banks under capitalized or aggressively looking to decrease their concentrated exposure to construction lending, there is minimal competition for even the most attractive projects.

During the first quarter, we saw a few opportunities to finance very strong construction projects on terms that were attractive to the bank, which accounts for most of the growth we saw in the construction portfolio. About half of that growth was related to an existing commercial real estate borrower, and seasoned well-performing loan that needed additional financing to expand a very healthy property. The rest of the growth came from a handful of single family residential construction projects located in very strong markets.

The low loan to values of these loans as well as collateral valuations that are closer to the trough of the housing cycle, rather than the peak, make these very attractive, low risk lending opportunities for the bank.

Now moving onto capital, during the quarter we achieved a significant milestone with our capital structure. We announced that in the first quarter we reached agreements with the Carpenter Community Bank Fund to convert their preferred stock in the company to common shares.

While this conversion was always specified in the original agreement, this early conversion removes uncertainty of the dilutive burden of the preferred dividend to carry improves the company's tangible common equity position and is accretive to book value. It also demonstrates the continued confidence of our largest shareholder in the value and the potential of the franchise that we have created. Tom will also speak to this event more specifically in his comments.

In closing, we are very pleased with how the bank is positioned right now. We have a very strong balance sheet with both capital and liquidity, are well positioned with respect to likely interest rate movements and believe the bulk of our asset quality issues are behind us. Given our growing base of low cost deposits and the new lending relationships we are establishing, we believe the potential earnings power of the bank is strong. As economic conditions
improve in our markets and our clients start to increase their credit utilization, we believe we are well positioned to drive profitable growth. I'll now turn the call over to Tom for additional discussion of our first-quarter results and after that we'll open up the call for your questions. And as a reminder to many of you that have seen or listened to our presentations in the past, our policy is not to issue any specific forward guidance.

With that Tom please go ahead.

Tom Sa: Thank you, Dan, and good afternoon everyone. As Dan mentioned, we’re experiencing positive trends in many areas of the business. In my discussion I want to review the improvement we're seeing in credit quality, expansion in our net interest margin, the areas of growth in our loan portfolio and the improving deposit mix we're seeing. And finally, I will also discuss the recent conversion of preferred stock held by the Carpenter Community Bank Fund.

Let me begin with credit quality. At March 31, 2010 nonperforming loans were 13.2 million a decline of 3.8 million or 22 percent from 17 million at year end. As a percentage of total loans, nonperforming loans dropped to 2.26 percent from 2.95 percent last quarter. Nonperforming loans were reduced primarily through foreclosure of two loans totaling 3.7 million offset by three commercial loans totaling 1.2 million, which were placed on nonaccrual.

In addition, we successfully collected two construction loans with a book balance of approximately $500,000 which resulted in a recovery of balances previously charged off of 944,000. REO balances were 6.6 million at March 31, 2010. While this number was essentially unchanged from the prior quarter, we continue to have good success ensuring the assets that comprise the balance. During the quarter, we sold four properties with a total carrying value of 3.4 million.

Taken together, nonaccrual loans in REO comprise nonperforming assets of 19.8 million at March 31st. A decline of 3.7 million or 16 percent from 23.5 million at year end. As a percentage of total assets, nonperforming assets declined to 2.31 percent from 2.79 percent at year end.
Even as we continue to clear our balance sheet of problem assets, our charged-off activity was very low. Net charge-offs were $1.1 million in the first quarter of 2010, compared to $1.8 million last quarter. On an annualized basis, net charge-offs dropped to 79 basis points of average loans from 1.2 percent of average loans last quarter.

Charge-off activity during the quarter was centered in real estate and real estate industry related commercial loans and was partially offset by recoveries of $944,000 resulting from the collection of two construction loans. Recovery is achieved in the first quarter again evidence our practice of taking conservative charges on nonperforming loans.

At March 31st the value of nonperforming loans reflects an average mark of 29 percent from a legal contract balance of the loans. These charges have already been taken against the reserve and we do not expect significant additional losses as a result of nonperforming loans.

We recorded a provision for loan loses of 1.3 million in the first quarter compared to 900,000 last quarter which was slightly higher than the level of net charge-offs. Once again, as indicated impairments on loans have already been taken against the reserve and no significant additional loses are expected as they are resolved, the provision this quarter reflects the continued conservative view of factors that impact our fast five pools as well as the modest growth we had in the loan portfolio.

At March 31, 2010 the resulting allowance for loan loses was $16.2 million or 2.76 percent of gross loans. On a dollar basis, this was a modest build from 16 million at year end, but down slightly as a percentage of gross loans due to the growth in the portfolio. However, the coverage ratio, the ratio allowance to nonperforming loans improved significantly to 122 percent at March 31st. That was up from 94 percent at the end of 2009.

Overall, credit trends in the first quarter were positive. At these lower levels of NPAs and delinquencies it is possible that we could see some lumpiness in credit quality from quarter to quarter as the economic downturn lingers, but in general we are seeing stabilization to improvement in loan migration.
While we believe there is less stress in the portfolio and are encouraged by trends we're seeing we expect to continue to support the qualitative aspect of the reserve until the improvement in the broader economy is more clear.

Now I'd like to move on to net interest income and net interest margin. Interest income grew by 225,000 or 2.3 percent over the prior year. This growth was accomplished despite a 16 percent decline in average loans outstanding. The growth and net interest income was primarily due to lower interest expense, which declined by $1.4 million year-over-year. This is a direct reflection of our ability to continue to attract low cost deposits and increase natural liquidity from collections of loans, which allowed us to actively reduce and re-price higher cost lending sources.

On a sequential quarter basis our net interest margin increased to 5.05 percent from 4.68 percent in the fourth quarter of 2009. This is due to a few reasons. First, our cost of funds decreased 13 basis points to 50 basis points from 63 basis points in the fourth quarter. Next, we had more balance sheet leverage with our loan-to-deposit ratio increasing to 81.3 percent in the first quarter from 78.8 percent last quarter. And lastly there was less negative impact from the reversal of interest income on nonperforming assets. This only had an impact of 13 basis points in this quarter compared with 23 basis points last quarter.

As we've indicated on prior calls, we think we've hit the bottom on NIM and we think the first quarter reflects a sustainable level going forward. Our current priority is to continue to leverage our favorable competitive position to attract more core customer relationships, which may benefit core deposit growth at more rapid pace than clients begin to borrow. Over the near term this may have immediate effect on our ability to expand them but we believe these core deposits are the foundation for margin expansion over the long horizon.

Next I want to talk a bit more about balance sheet trends specifically the trends in loan balances and improvements in our mix of funding. For the second consecutive quarter we saw modest loan growth. Gross loans
increased 9.3 million during the first quarter. The strongest growth was seen in our factory in an asset-based lending portfolio during the quarter which increased 21.5 million or 32 percent. We also had a $13.7 million increase in our real estate construction portfolio due to some very attractive low risk opportunities that Dan discussed earlier.

The growth in these portfolios offset declines in the commercial and SBA portfolios. The decline in the commercial portfolio continues to be primarily due to clients paying down lines of credit. As Dan mentioned, utilization rates remain very low and we believe we could see substantial asset growth in the future when these utilization rates return to historic levels.

We're very pleased with the liability side of the balance sheet. Our business development teams have done an outstanding job of gathering low cost deposits, non-interest bearing deposits increased 7.1 percent during the quarter and now comprise almost half of our total deposits. We believe that our deposit franchise is a reflection of the strength of our value proposition and a strong foundation for our performance in the future.

Finally, I'd like to discuss our capital position and the recent conversion of the preferred stock held by Carpenter Community Bank Funds. Back in the fourth quarter of 2008 we began a focus strategic effort to build capital and liquidity and reduce the risk profile of the business.

One of the key steps in this plan was the sale of $30 million from preferred stock to Carpenter. At the time, we laid out a plan for how we intended to manage through the weak economic conditions and less than a year and a half later we can say that we have delivered on everything we said we were going to do and we believe we have put the company on a strong position to create shareholder value going forward. As a sign of their confidence and the potential of our common stock carpenter agreed to an early conversion of their preferred stock holdings.

We were very pleased that we were able to do this conversion in a manner that was accretive to book value that also removes the dividend carry of approximately $3 million a year. As a result of the conversion, the strength of
our capital structure is now evident in the level of tangible common equity to total assets, which improved to 10.09 percent at March 31st up from 6.57 percent at year end. In addition, our tier I leverage ratio is now at 15.17 percent, our tier I ratio is 17.96 percent and our total risk base capital ratio is 19.23 percent. We believe these ratios continue to be at the high end of our peer group.

The conversion also resulted in accretion to book value per common share, which increased 19 cents in the quarter to $8 a share. We're very comfortable with our capital position and we believe it provides us with the ability to go on offense whenever we see attractive growth opportunities.

Finally, on capital, I'd like to touch on the topic of TARP. Given the potential volatility in the regulatory environment, particularly with regard to compensation matters, we certainly understand why the largest firms in our industry have moved quickly to repay TARP.

At our tier of the market, capital raises have come at a substantial cost to existing shareholders. We believe that our strong capital position is part of a competitive advantage and TARP supports that advantage at a reasonable cost. For that reason, we will continue to monitor the progress of our business, the economic climate and capital markets to assess the best opportunities and timing to raise capital in order to be as efficient as possible when executing on our TARP repayment.

And that concludes my specific comments. And at this point, we'd like to open it up for questions.

Operator: At this time, I would like to remind everyone in order to ask a question press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Bobby Bohlen from KBW, your line is open.

Bobby Bohlen: All right, thank you. Question on SBA, there was a fairly sizable decline in the SBA loans, was that due to sale or what is going on there and is the market for selling SBA loans opening up or what are we seeing?
Tom Sa: Bobby, this is Tom. That was less a result of sales activity. What we determined was that we had a portion of our SBA portfolio that had elements of construction in it and we've scrubbed that portfolio and moved some of that over to the construction bucket and so that decline was not a direct function of sales activity.

Bobby Bohlen: Some of the assets were moved from the SBA to the construction.

Tom Sa: Yes, it's not – it's not unusual …

Bobby Bohlen: The reclassification?

Tom Sa: … but there’s, I'm sorry.

Bobby Bohlen: Was it just the reclassification?

Tom Sa: Mostly, it was a reclassification, yes.

Bobby Bohlen: OK. On the – sorry – on the deposit growth that we're seeing, is that net new accounts? Is that larger balances as existing accounts or a combination?

Dan Myers: It’s – Bobby, this is Dan Myers. It's really a combination where I'd say the predominant increase was on the new account side. Again, we had 90 new relationships that we brought in. Our target has been and will continue to be acquisition of the company's primary disbursement account and we've continued to be successful on that. There had been some instances where existing relationships have brought in additional balances I think that's a reflection of continued activity and increasing activity that we see particularly in the technology sector of our business. I'd say the predominant impact was new client acquisitions.

Bobby Bohlen: OK. OK, that's all the questions I have for now, thank you.

Tom Sa: Thanks, Bobby.

Operator: There are no further questions at this time.
Dan Myers: With that, we thank you for your time today and that concludes our call.

Operator: This concludes today's conference call. You may now disconnect.

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