BBNK 10-K 12/31/2007

Section 1: 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007 or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______________ to

000-50974
(Commission File Number)

BRIDGE CAPITAL HOLDINGS
(Exact name of registrant as specified in its charter)

California	**80-0123855**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

55 Almaden Boulevard, San Jose, CA 95113
(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: **(408) 423-8500**

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

Title of each class	Name of each exchange on which registered
Common Stock, no par value	Nasdaq Capital Market

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

Title of each 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 ☒

Bridge Capital Holdings (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 and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐.

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

The aggregate market value of the voting stock held by non-affiliates of Bridge Capital Holdings was $136,677,639 as of June 30, 2007.

As of March 3, 2008, Bridge Capital Holdings had 6,501,318 shares of common stock outstanding.

Documents incorporated by reference: The Company’s Proxy Statement for its 2008 Annual Meeting of Shareholders is incorporated herein by reference in Part III, Items 10 through 14.

Forward-looking Statements

IN ADDITION TO THE HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING INFORMATION WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND WHICH ARE SUBJECT TO THE "SAFE HARBOR" CREATED BY THOSE SECTIONS. THE READER OF THIS ANNUAL REPORT SHOULD UNDERSTAND THAT ALL SUCH FORWARD-LOOKING STATEMENTS ARE SUBJECT TO VARIOUS UNCERTAINTIES AND RISKS THAT COULD AFFECT THEIR OUTCOME. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SUGGESTED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, (1) COMPETITIVE PRESSURE IN THE BANKING INDUSTRY INCREASES SIGNIFICANTLY; (2) CHANGES IN THE INTEREST RATE ENVIRONMENT REDUCES MARGINS; (3) GENERAL ECONOMIC CONDITIONS, EITHER NATIONALLY OR REGIONALLY, ARE LESS FAVORABLE THAN EXPECTED, RESULTING IN, AMONG OTHER THINGS, A DETERIORATION IN CREDIT QUALITY; (4) CHANGES IN THE REGULATORY ENVIRONMENT; (5) CHANGES IN BUSINESS CONDITIONS AND INFLATION; (6) COSTS AND EXPENSES OF COMPLYING WITH THE INTERNAL CONTROL PROVISIONS OF THE SARBANES-OXLEY ACT AND OUR DEGREE OF SUCCESS IN ACHIEVING COMPLIANCE; (7) CHANGES IN SECURITIES MARKETS; (8) FUTURE CREDIT LOSS EXPERIENCE; (9) CIVIL DISTURBANCES OR TERRORIST THREATS OR ACTS, OR APPREHENSION ABOUT POSSIBLE FUTURE OCCURANCES OF ACTS OF THIS TYPE; (10) THE INVOLVEMENT OF THE UNITED STATES IN WAR OR OTHER HOSTILITIES; AND (11) THE MATTERS DISCUSSED IN THIS REPORT UNDER "ITEM 1A – RISK FACTORS" AND "ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – CRITICAL ACCOUNTING POLICIES. THEREFORE, THE INFORMATION IN THIS ANNUAL REPORT SHOULD BE CAREFULLY CONSIDERED AGAINST THESE UNCERTAINTIES AND RISKS WHEN EVALUATING THE BUSINESS PROSPECTS OF THE COMPANY.

Forward-looking statements are generally identifiable by the use of terms such as "believe," "expect," "intend," "anticipate," "estimate," "project," "assume," "plan," "predict," "forecast," "in management's opinion," "management considers" or similar expressions. Wherever such phrases are used, such statements are as of and based upon the knowledge of Management, at the time made and are subject to change by the passage of time and/or subsequent events, and accordingly such statements are subject to the same risks and uncertainties noted above with respect to forward-looking statements.

All of the Company's operations and most of its customers are located in California. Other events, including those of September 11, 2001, have increased the uncertainty related to the national and California economic outlook and could have an effect on the future operations of the Company or its customers, including borrowers. The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

PART 1

Item 1. Business

General

On July 26, 2000 an Application to Obtain a National Banking Charter and Federal Deposit Insurance was filed with the Comptroller of the Currency (the "Comptroller") and with the Federal Deposit Insurance Corporation (the "FDIC"). The Comptroller approved the Application on November 17, 2000 and the FDIC approved the Bank’s Application for Federal Deposit Insurance for Bridge Bank, National Association. On December 6, 2000, the Bank’s Articles of Association and Organizers’ Certificate were adopted by the Bank's organizers, which established the Bank's corporate existence. There are no predecessors to the Bank.

The Bank commenced operations on May 14, 2001. The Bank engages in general commercial banking business, and accepts checking and savings deposits, makes commercial, real estate, auto and other installment and term loans, and provides other customary banking services. The Bank attracts the majority of its loan and deposit business from the residents and numerous small and middle market businesses and professional firms located in Santa Clara County. Its headquarters office is located at 55 Almaden Boulevard, San Jose, California 95113.

In 2002, the Bank opened a full-service branch office in Palo Alto and established a U.S. Small Business Administration Lending Group that includes a regional loan production office in Sacramento County. Also, it launched Bridge Capital Finance Group, a factoring and asset-based lending division with a loan production office in Santa Clara. During the year ended December 31, 2003, the Bank opened an office in downtown San Jose and established a U.S. Small business Administration regional loan production office in San Diego County.

On October 1, 2004, Bridge Bank, National Association (the “Bank”) announced completion of a bank holding company structure which was approved by shareholders at the Bank's annual shareholders' meeting held on May 20, 2004. The bank holding company, formed as a California corporation, is named Bridge Capital Holdings (the “Company”). Information in this report dated prior to September 30, 2004 is for Bridge Bank, National Association.

Bridge Capital Holdings was formed for the purpose of serving as the holding company for Bridge Bank, National Association and is supervised by the Board of Governors of the Federal Reserve System. Effective October 1, 2004, Bridge Capital Holdings acquired 100% of the voting shares of Bridge Bank, National Association. As a result of the transaction, the former shareholders of Bridge Bank, National Association received one share of common stock of Bridge Capital Holdings for every one share of common stock of Bridge Bank, National Association owned.

Prior to the share exchange, the common stock of the Bank had been registered with the Office of Comptroller of the Currency. As a result of the share exchange, common stock of Bridge Capital Holdings is now considered registered with the Securities and Exchange Commission. Future filings will be made with the SEC rather than the Office of the Comptroller of the Currency and will be available on the SEC’s website, **http://www.sec.gov** as well as on the Company’s website http://www.bridgebank.com.

The Bank provides the local business and professional community with banking services tailored to the unique needs of the Silicon Valley. The Bank does not offer trust services, but it will attempt to make such services available to the Bank's customers through correspondent institutions. The deposits of the Bank are insured by the FDIC, up to applicable limits, and the Bank is a member of the Federal Reserve System.

In addition, the Bank provides some specialized services to its customers. These services include courier deposit services to key locations or customers throughout the Bank's service area, Small Business Administration (SBA) loans, factoring and asset-based loans and Internet banking. The Bank reserves the right to change its business plan at any time and no assurance can be given that, if the Bank's proposed business plan is followed, it will prove successful.

At December 31, 2007, the Company had total assets of approximately $774.8 million, total gross loans of $652.7 million and total deposits of $671.4 million. At December 31, 2007, the Company had 170 full-time equivalent employees.

Deposits

The Bank offers a wide range of deposit accounts designed to attract small and medium size commercial businesses as well as business professionals and retail customers, including a complete line of checking and savings products, such as passbook savings, “Money Market Deposit” accounts which require minimum balances and frequency of withdrawal limitations, NOW accounts, and bundled accounts. Other accounts offered by the Bank include term certificates of deposit.

Other deposit services include a full complement of convenience oriented services, including direct payroll and social security deposit, post-paid bank-by-mail, and Internet banking, including on-line access to account information. However, at this time, the Bank does not open accounts through the Internet. Any plans to offer online account opening must be approved in advance by the Comptroller. No assurance can be given that, if applied for, such approval will be obtained.

As the Bank has no automated teller machines, the Bank may refund all or portion of transaction charges incurred by its customers for their use of another bank’s ATM. The majority of the Bank's deposits are obtained from businesses located in the Bank's primary service area.

Lending Activities

The Bank engages in a full range of lending products designed to meet the specialized needs of its customers, including commercial lines of credit and term loans, constructions loans, equipment loans, and mortgage loans. Additionally, the Bank extends accounts receivable, factoring and inventory financing to qualified customers. Loans are also offered through the Small Business Administration guarantee 7(a) and 504 loan programs (described below under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—FINANCIAL CONDITION AND EARNING ASSETS—Loan Portfolio”).

The Bank finances real estate construction projects, primarily for the construction of owner occupied and 1 to 4 unit residential developments and commercial buildings under $3 million in loan size.

The Bank directs its commercial lending principally toward businesses whose demands for credit fall within the Bank’s lending limit. In the event there are customers whose commercial loan demands exceed the Bank’s lending limits, the Bank seeks to arrange for such loans on a participation basis with other financial institutions.

The Bank also extends lines of credit to individual borrowers, and provides homeowner equity loans, home improvement loans, auto financing, credit and debit cards and overdraft/cash reserve accounts.

Business Hours

In order to attract loan and deposit business, the Bank maintains lobby hours currently between 9:00 a.m. and 5:00 p.m. Monday through Friday.

For additional information concerning the Bank, see Selected Financial Data under Item 6 on page 23.

Competition

The banking business in Santa Clara County, as it is elsewhere in California, is highly competitive, and each of the major branch banking institutions has one or more offices in the Bank's service area. The Bank competes in the marketplace for deposits and loans, principally against these banks, independent community banks, savings and loan associations, thrift and loan companies, credit unions, mortgage banking companies, and non-bank institutions such as mutual fund companies and investment brokerage firms that claim a portion of the market.

Larger banks may have a competitive advantage because of higher lending limits and major advertising and marketing campaigns. They also perform services, such as trust services, international banking, discount brokerage and insurance services, which the Bank is not authorized or prepared to offer currently. The Bank has made arrangements with its correspondent banks and with others to provide such services for its customers. For borrowers requiring loans in excess of the Bank's legal lending limit, the Bank has offered, and intends to offer in the future, such loans on a participating basis with its correspondent banks and with other independent banks, retaining the portion of such loans which is within its lending limit. As of December 31, 2007, the Bank's unsecured legal lending limit to a single borrower and such borrower's related parties was $12.9 million based on regulatory capital of $85.7 million. However, for risk management purposes, the Bank has established internal policies, which at present provide lending limits that are less than the Bank’s legal lending limit.

The Bank's business is concentrated in its service area, which primarily encompasses Santa Clara County, and also includes, to a lesser extent, the contiguous areas of Alameda, San Mateo and Santa Cruz counties. In certain lines of business the Bank has extended beyond its primary service area. While the SBA line of business operates primarily in Santa Clara County it also maintains loan production offices in Sacramento County and Southern California.

In order to compete with major financial institutions in its primary service area, the Bank uses to the fullest extent possible the flexibility that is accorded by its independent status. This includes an emphasis on specialized services, local promotional activity, and personal contacts by the Bank's officers, directors and employees. The Bank also seeks to provide special services and programs for individuals in its primary service area who are employed in the agricultural, professional and business fields, such as loans for equipment, furniture, and tools of the trade or expansion of practices or businesses.

Banking is a business that depends on interest rate differentials. In general, the difference between the interest rate paid by the Bank to obtain its deposits and its other borrowings and the interest rate received by the Bank on loans extended to its customers and on securities held in the Bank's portfolio comprises the major portion of the Bank's earnings.

Commercial banks compete with savings and loan associations, credit unions, other financial institutions and other entities for funds. For instance, yields on corporate and government debt securities and other commercial paper affect the ability of commercial banks to attract and hold deposits. Commercial banks also compete for loans with savings and loan associations, credit unions, consumer finance companies, mortgage companies and other lending institutions.

The interest rate differentials of the Bank, and therefore its earnings, are affected not only by general economic conditions, both domestic and foreign, but also by the monetary and fiscal policies of the United States as set by statutes and as implemented by federal agencies, particularly the Federal Reserve Board. This agency can and does implement national monetary policy, such as seeking to curb inflation and combat recession, by its open market operations in United States government securities, adjustments in the amount of interest free reserves that banks and other financial institutions are required to maintain, and adjustments to the discount rates applicable to borrowing by banks from the Federal Reserve Board. These activities influence the growth of bank loans, investments and deposits and also affect interest rates charged on loans and paid on deposits.

Supervision and Regulation

Bank Holding Company Act

The Company is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (“BHCA”). As a bank holding company, Bridge Capital Holdings is subject to examination by the Federal Reserve Board (“FRB”). Pursuant to the BHCA, the Company is also subject to limitations on the kinds of businesses in which it can engage directly or through subsidiaries. The Company may, of course, manage or control banks. Generally, however, the Company is prohibited, with certain exceptions, from acquiring direct or indirect ownership or control of more than five percent of any class of voting shares of an entity engaged in non-banking activities, unless the FRB finds such activities to be "so closely related to banking" as to be deemed "a proper incident thereto" within the meaning of the BHCA. As a bank holding company, the Company may not acquire more than five percent of the voting shares of any domestic bank without the prior approval of (or, for “well managed” companies, prior written notice to) the FRB.

The BHCA includes minimum capital requirements for bank holding companies. See the section titled “Regulation and Supervision – Regulatory Capital Requirements”. Under certain conditions, the FRB may conclude that certain actions of a bank holding company, such as the payment of a cash dividend, would constitute an unsafe and unsound banking practice.

“Source of Strength” Policy

Regulations and policies of the FRB also require a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. It is the FRB's policy that a bank holding company should stand ready to use available resources to provide adequate capital funds to a subsidiary bank during periods of financial stress or adversity and that it should maintain the financial flexibility and capital-raising capacity needed to obtain additional resources for assisting the subsidiary bank.

Securities and Exchange Commission

Under Section 13 of the Securities Exchange Act of 1934 ("Exchange Act") and the Securities and Exchange Commission's (SEC's) rules, the Company must electronically file periodic and current reports as well as proxy statements with the SEC. The Company electronically files the following reports with the SEC: Form 10-K (Annual Report), Form 10-Q (Quarterly Report), and Form 8-K (Current Report). The Company may prepare additional filings as required. The SEC maintains an Internet site, http://www.sec.gov, at which all forms filed electronically may be accessed. Our SEC filings are also available on our website at http://www.bridgebank.com.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 implemented legislative reforms intended to address corporate and accounting fraud. In addition to the establishment of an accounting oversight board to enforce auditing, quality control and independence standards, the law restricts provision of both auditing and consulting services by accounting firms. To ensure auditor independence, any non-audit services being provided to an audit client require pre-approval by the company's audit committee members. In addition, the audit partners assigned to the company must be rotated every five years. The Act requires chief executive officers and chief financial officers, or their equivalent, to certify to the accuracy of periodic reports filed with the SEC, subject to civil and criminal penalties if they knowingly or willfully violate the certification requirement. In addition, under the Act legal counsel are required to report evidence of a material violation of the securities laws or a breach of fiduciary duty by a company to its chief executive officer or its chief legal officer, and, if such officer does not appropriately respond, to report such evidence to the audit committee or other similar committee of the board of directors or the board itself.

In addition, longer prison terms and increased penalties apply to corporate executives who violate federal securities laws, the period during which certain types of suits can be brought against a company or its officers is extended, and bonuses issued to top executives prior to restatement of a company's financial statements are subject to disgorgement if the restatement was due to corporate misconduct. Executives are also prohibited from insider trading during retirement plan "blackout" periods, and loans to company executives are restricted. The Act accelerates the time frame for disclosures by public companies, as they must immediately disclose any material changes in their financial condition or operations. Directors and executive officers must also provide information for most changes in ownership in a company's securities within two business days of the change.

The Act also prohibits any officer or director of a company or any other person acting under their direction from taking any action to fraudulently influence, coerce, manipulate or mislead any independent public or certified accountant engaged in the audit of the company's financial statements for the purpose of rendering the financial statement's materially misleading. The Act requires the SEC to prescribe rules requiring inclusion of an internal control report and assessment by both management and the external auditors in the annual report to stockholders. In addition, the Act requires that each financial report required to be prepared in accordance with (or reconciled to) accounting principles generally accepted in the United States and filed with the SEC reflect all material correcting adjustments that are identified by a "registered public accounting firm" in accordance with accounting principles generally accepted in the United States and the rules and regulations of the SEC.

The Company's chief executive officer and chief financial officer are each required to certify that the Company's quarterly and annual reports do not contain any untrue statement of a material fact. The rules have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of the Bank's internal controls; they have made certain disclosures to the Company's auditors and the audit committee of the Board of Directors about the Company's internal controls; and they have included information in the Company's quarterly and annual reports about their evaluation and whether there have been significant changes in the Bank's internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation.

Regulation of the Bank

The Bank is regulated and supervised by the Comptroller of the Currency and is subject to periodic examination by the Comptroller. Deposits of the Bank's customers are insured by the FDIC up to the maximum limit of $100,000, and, as an insured bank, the Bank is subject to certain regulations of the FDIC. As a national bank, the Bank is a member of the Federal Reserve System and is also subject to the regulations of the FRB.

The regulations of those federal bank regulatory agencies govern most aspects of the Bank's business and operations, including but not limited to, requiring the maintenance of non-interest bearing reserves on deposits, limiting the nature and amount of investments and loans which may be made, regulating the issuance of securities, restricting the payment of dividends and regulating bank expansion and bank activities. The Bank also is subject to the requirements and restrictions of various consumer laws and regulations.

Statutes, regulations and policies affecting the banking industry are frequently under review by Congress and by the federal bank regulatory agencies that are charged with supervisory and examination authority over banking institutions. Changes in the banking and financial services industry are likely to occur in the future. Some of the changes may create opportunities for the Bank to compete in financial markets with less regulation. However, these changes also may create new competitors in geographic and product markets which have historically been limited by law to insured depository institutions such as the Bank. Changes in the statutes, regulations, or policies that affect the Bank cannot necessarily be predicted and may have a material effect on the Bank’s business and earnings. In addition, the regulatory agencies which have jurisdiction over the Bank have broad discretion in exercising their supervisory powers.

The OCC can pursue an enforcement action against the Bank for unsafe and unsound practices in conducting its business, or for violations of any law, rule or regulation or provision, any consent order with any agency, any condition imposed in writing by the agency, or any written agreement with the agency. Enforcement actions may include the imposition of a conservator or receiver, cease-and-desist orders and written agreements, the termination of insurance of deposits, the imposition of civil money penalties and removal and prohibition orders against institution-affiliated parties.

In addition to the regulation and supervision outlined above, banks must be prepared for judicial scrutiny of their lending and collection practices. For example, some banks have been found liable for exercising remedies which their loan documents authorized upon the borrower’s default. This has occurred in cases where the exercise of those remedies was determined to be inconsistent with the previous course of dealing between the bank and the borrower. As a result, banks must exercise caution, incur expense and face exposure to liability when dealing with delinquent loans.

The following description of selected statutory and regulatory provisions and proposals is not intended to be a complete description of these provisions or of the many laws and regulations to which the Bank is subject, and is qualified in its entirety by reference to the particular statutory or regulatory provisions discussed.

A. Effect of State Law

The laws of the State of California affect the Bank's business and operations. For example, under 12 U.S.C. 36, as amended by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, state laws regarding community reinvestment, consumer protection, fair lending and establishment of intrastate branches may affect the operations of national banks in states other than their home states. On a similar basis, 12 U.S.C. 85 provides that state law, in most circumstances, determines the maximum rate of interest which a national bank may charge on a loan. As California law exempts all state-chartered and national banks from the application of its usury laws, national banks are also provided such an exemption by 12 U.S.C. 85.

B. Interstate Banking

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the “Interstate Banking Act”) regulates the interstate activities of banks and bank holding companies and establishes a framework for nationwide interstate banking and branching. In general, a bank in one state has generally been permitted to merge with a bank in another state without the need for explicit state law authorization. However, when the Interstate Banking Act was enacted states were given the ability to prohibit interstate mergers with banks in their own state by “opting-out” (enacting state legislation applying to all out-of-state banks prohibiting such mergers).

Adequately capitalized and managed bank holding companies have been permitted to acquire banks located in any state, subject to two exceptions: first, a state may still prohibit bank holding companies from acquiring a bank which is less than five years old; and second, no interstate acquisition can be consummated by a bank holding company if the acquirer would control more than 10% of the deposits held by insured depository institutions nationwide or 30% or more of the deposits held by insured depository institutions in any state in which the target bank has branches.

A bank may also establish and operate de novo branches in any state in which the bank does not maintain a branch if that state has enacted legislation to expressly permit all out-of-state banks to establish branches in that state.

Among other things, the Interstate Banking Act amended the Community Reinvestment Act to require that in the event a bank has interstate branches, the appropriate federal banking regulatory agency must prepare for that institution a written evaluation of (i) the bank’s record of CRA performance and (ii) the bank’s CRA performance in each applicable state. Interstate branches are now prohibited from being used as deposit production offices. Also, a foreign (other state) bank is permitted to establish branches in any state other than its home state to the same extent that a bank chartered by the foreign (other state) bank’s home state may establish such branches.

California law expressly prohibits a foreign (other state) bank which does not already have a California branch office from (i) purchasing a branch office of a California bank (as opposed to purchasing the entire bank) and thereby establishing a California branch office or (ii) establishing a California branch on a de novo basis.

The Interstate Banking Act has contributed to the accelerated consolidation of the banking industry in that a number of the largest bank holding companies have expanded into different parts of the country that were previously restricted. The Interstate Banking Act and California law are expected to continue to increase competition in the environment in which the Bank operates to the extent that out-of-state financial institutions may directly or indirectly enter the Bank's market areas.

C. Change in Bank Control

The Bank Holding Company Act of 1956, as amended, and the Change in Bank Control Act of 1978, as amended, together with regulations of the FRB and the Comptroller, require that, depending on the particular circumstances, either FRB approval must be obtained or notice must be furnished to the Comptroller and not disapproved prior to any person or company acquiring "control" of a national bank, such as the Bank, subject to exemptions for some transactions. Control is conclusively presumed to exist if an individual or company (i) acquires 25% or more of any class of voting securities of the bank or (ii) has the direct or indirect power to direct or cause the direction of the management and policies of the Bank, whether through ownership of voting securities, by contract or otherwise; provided that no individual will be deemed to control the Bank solely on accord of being director, officer or employee of the Bank. Control is presumed to exist if a person acquires 10% or more but less than 25% of any class of voting securities and either the company has registered securities under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or no other person will own a greater percentage of that class of voting securities immediately after the transaction.

D. Regulation W

The FRB has adopted Regulation W to comprehensively implement sections 23A and 23B of the Federal Reserve Act.

Sections 23A and 23B and Regulation W limit the risks to a bank from transactions between the bank and its affiliates and limit the ability of a bank to transfer to its affiliates the benefits arising from the bank's access to insured deposits, the payment system and the discount window and other benefits of the Federal Reserve system. The statute and rule impose quantitative and qualitative limits on the ability of a bank to extend credit to, or engage in certain other transactions with, an affiliate (and a non-affiliate if an affiliate benefits from the transaction). However, certain transactions that generally do not expose a bank to undue risk or abuse the safety net are exempted from coverage under Regulation W.

Historically, a subsidiary of a bank was not considered an affiliate for purposes of Sections 23A and 23B, since their activities were limited to activities permissible for the bank itself. However, the Gramm-Leach-Bliley Act authorized "financial subsidiaries" that may engage in activities not permissible for a bank. These financial subsidiaries are now considered affiliates. Certain transactions between a financial subsidiary and another affiliate of a bank are also covered by sections 23A and 23B and under Regulation W.

E. Tying Arrangements and Transactions with Affiliated Persons

A bank is prohibited from tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with some exceptions, a bank may not condition an extension of credit on a promise by its customer to obtain other services provided by it, its holding company or other subsidiaries (if any), or on a promise by its customer not to obtain other services from a competitor.

Directors, officers and principal shareholders of the Bank, and the companies with which they are associated, may have banking transactions with the Bank in the ordinary course of business. Any loans and commitments to loan included in these transactions must be made in compliance with the requirements of applicable law, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar creditworthiness, and on terms not involving more than the normal risk of collectibility or presenting other unfavorable features.

F. Capital Adequacy Requirements

The Bank is subject to the Comptroller 's capital guidelines and regulations governing capital adequacy for national banks. The Comptroller may impose additional capital requirements on banks based on market risk. The Comptroller requires a leverage ratio of 8.0% for new banks during the first three years of operation.

After the first three years of operations, the Comptroller requires a minimum leverage ratio of 3.0% for national banks that have received the highest composite regulatory rating (a regulatory measurement of capital, assets, management, earnings, liquidity and sensitivity to risk) and that are not anticipating or experiencing any significant growth. All other institutions will be required to maintain a leverage ratio of at least 100 to 200 basis points above the 3.0% minimum.

The Comptroller's regulations also require national banks to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%. Risk-based capital ratios are calculated with reference to risk-weighted assets, including both on and off-balance sheet exposures, which are multiplied by certain risk weights assigned by the Comptroller to those assets. At least one-half of the qualifying capital must be in the form of Tier 1 capital [1].

The risk-based capital ratio focuses principally on broad categories of credit risk, and may not take into account many other factors that can affect a bank's financial condition. These factors include overall interest rate risk exposure; liquidity, funding and market risks; the quality and level of earnings; concentrations of credit risk; certain risks arising from nontraditional activities; the quality of loans and investments; the effectiveness of loan and investment policies; and management's overall ability to monitor and control financial and operating risks, including the risk presented by concentrations of credit and nontraditional activities. The Comptroller has addressed many of these areas in related rule-making proposals. In addition to evaluating capital ratios, an overall assessment of capital adequacy must take account of each of these other factors including, in particular, the level and severity of problem and adversely classified assets. For this reason, the final supervisory judgment on a bank's capital adequacy may differ significantly from the conclusions that might be drawn solely from the absolute level of the bank's risk-based capital ratio. The Comptroller has stated that banks generally are expected to operate above the minimum risk-based capital ratio. Banks contemplating significant expansion plans, as well as those institutions with high or inordinate levels of risk, are required to hold capital consistent with the level and nature of the risks to which they are exposed.

Further, the banking agencies have adopted modifications to the risk-based capital regulations to include standards for interest rate risk exposures. Interest rate risk is the exposure of a bank's current and future earnings and equity capital arising from movements in interest rates. While interest rate risk is inherent in a bank's role as a financial intermediary, it introduces volatility to bank earnings and to the economic value of the bank. The banking agencies have addressed this problem by implementing changes to the capital standards to include a bank's exposure to declines in the economic value of its capital due to changes in interest rates as a factor that the banking agencies consider in evaluating an institution's capital adequacy. Bank examiners consider a bank's historical financial performance and its earnings exposure to interest rate movements as well as qualitative factors such as the adequacy of a bank's internal interest rate risk management.

Finally, institutions with significant trading activities must measure and hold capital for exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates and commodity prices and exposure to specific risk associated with debt and equity positions in the trading portfolio. General market risk refers to changes in the market value of on-balance-sheet assets and off-balance-sheet items resulting from broad market movements. Specific market risk refers to changes in the market value of individual positions due to factors other than broad market movements and includes such risks as the credit risk of an instrument's issuer. The additional capital requirements apply to institutions with trading assets and liabilities equal to 10.0% or more of total assets or trading activity of $1.0 billion or more. The federal banking agencies may apply the market risk regulations on a case by case basis to institutions not meeting the eligibility criteria if necessary for safety and soundness reasons.

Under certain circumstances, the Comptroller may determine that the capital ratios for a national bank must be maintained at levels which are higher than the minimum levels required by the guidelines. A national bank which does not achieve and maintain required capital levels may be subject to supervisory action by the Comptroller through the issuance of a capital directive to ensure the maintenance of required capital levels. In addition, the Bank is required to meet certain guidelines of the Comptroller concerning the maintenance of an adequate allowance for loan and lease losses.

The federal banking agencies, including the OCC, have adopted regulations implementing a system of prompt corrective action under the Federal Deposit Insurance Corporation Improvement Act ("FDICIA"). The regulations establish five capital categories with the following characteristics: (1) "Well capitalized," consisting of institutions with a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater and a leverage ratio of 5.0% or greater and which are not operating under an order, written agreement, capital directive or prompt corrective action directive; (2) "Adequately capitalized," consisting of institutions with a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital of 4.0% or greater and a leverage ratio of 4.0% or greater and which do not meet the definition of a "well capitalized" institution; (3) "Undercapitalized," consisting of institutions with a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 4.0%, or a leverage ratio of less than 4.0%; (4) "Significantly undercapitalized," consisting of institutions with a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 3.0%, or a leverage ratio of less than 3.0%; and (5) "Critically undercapitalized," consisting of institutions with a ratio of tangible equity to total assets that is equal to or less than 2.0%.

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1 Tier 1 capital is generally defined as the sum of the core capital elements less goodwill and certain intangibles. The following items are defined as core capital elements: (i) common stockholders' equity; (ii) qualifying non-cumulative perpetual preferred stock and related surplus; and (iii) minority interests in the equity accounts of consolidated subsidiaries.

The regulations establish procedures for the classification of financial institutions within the capital categories, for filing and reviewing capital restoration plans required under the regulations, and for the issuance of directives by the appropriate regulatory agency, among other matters. See “Supervision and Regulation — Prompt Corrective Action” for additional discussion regarding regulations.

The appropriate federal banking agency, after notice and an opportunity for a hearing, is authorized to treat a well capitalized, adequately capitalized or undercapitalized insured depository institution as if it had a lower capital-based classification if it is in an unsafe and unsound condition or engaging in an unsafe and unsound practice. Thus, an adequately capitalized institution can be subjected to the restrictions (described below) that are imposed on undercapitalized institutions (provided that a capital restoration plan cannot be required of the institution), and an undercapitalized institution can be subjected to the restrictions (also described below) applicable to significantly undercapitalized institutions. See “Supervision and Regulation — Prompt Corrective Action” for additional discussion regarding federal banking agency supervision.

An insured depository institution cannot make a capital distribution (as broadly defined to include, among other things, dividends, redemptions and other repurchases of stock), or pay management fees to any person or persons that control the institution, if it would be undercapitalized following the distribution. However, a federal banking agency may (after consultation with the FDIC) permit an insured depository institution to repurchase, redeem, retire or otherwise acquire its shares if (i) the action is taken in connection with the issuance of additional shares or obligations in at least an equivalent amount and (ii) the action will reduce the institution’s financial obligations or otherwise improve its financial condition. An undercapitalized institution is generally prohibited from increasing its average total assets, and is also generally prohibited from making acquisitions, establishing new branches, or engaging in any new line of business except under an accepted capital restoration plan or with the approval of the FDIC. In addition, a federal banking agency has authority with respect to undercapitalized depository institutions to take any of the actions it is required to or may take with respect to a significantly undercapitalized institution (as described below) if it determines “that those actions are necessary to carry out the purpose” of FDICIA.

The federal banking agencies have adopted a joint agency policy statement to provide guidance on managing interest rate risk. The statement indicates that the adequacy and effectiveness of a bank’s interest rate risk management process and the level of its interest rate exposures are critical factors in the agencies’ evaluation of the bank’s capital adequacy. If a bank has material weaknesses in its risk management process or high levels of exposure relative to its capital, the agencies will direct it to take corrective action. These directives may include recommendations or directions to raise additional capital, strengthen management expertise, improve management information and measurement systems, or reduce levels of exposure, or to undertake some combination of these actions.

At December 31, 2007, the Bank is in compliance with the Comptroller’s risk-based and leverage ratios. See Footnote 15 to the Bank’s Financial Statements included under Item 8 of this Annual Report.

G. Payment of Dividends

The ability of the Company to make dividend payments is subject to statutory and regulatory restrictions. FDIC policies generally allow cash dividends to be paid only from net operating income, and do not permit dividends to be paid until an appropriate allowance for loans and lease losses has been established and overall capital is adequate. See “Supervision and Regulation – Capital Adequacy Requirements” for additional discussion regarding capital adequacy.

After the first three years of operations, the Board of Directors of a national bank may declare the payment of dividends depending upon the earnings, financial condition and cash needs of the bank and general business conditions. A national bank may not pay dividends from its capital. All dividends must be paid out of net profits then on hand, after deducting losses and bad debts. A national bank is further prohibited from declaring a dividend on its shares of common stock until its surplus fund equals the amount of capital stock or until 10.0% of the bank's net profits of the preceding half year in the case of quarterly or semiannual dividends, or the preceding two consecutive half-year periods in the case of an annual dividend, are transferred to the surplus fund. The approval of the Comptroller is required for the payment of dividends if the total of all dividends declared by the bank in any calendar year would exceed the total of its net profits of that year combined with its retained net profits of the two preceding years, less any required transfers to surplus or a fund for the retirement of any preferred stock.

In addition to the above requirements, guidelines adopted by the Comptroller set forth factors which are to be considered by a national bank in determining the payment of dividends. A national bank, in assessing the payment of dividends, is to evaluate the bank's capital position, its maintenance of an adequate allowance for loan and lease losses, and the need to revise or develop a comprehensive capital plan.

The Comptroller also has broad authority to prohibit a national bank from engaging in banking practices which it considers to be unsafe or unsound. It is possible, depending upon the financial condition of the national bank in question and other factors, that the Comptroller may assert that the payment of dividends or other payments by a bank is considered an unsafe or unsound banking practice and therefore, implement corrective action to address such a practice.

Accordingly, the future payment of cash dividends by the Company will not only depend upon the Bank's earnings during any fiscal period but will also depend upon the assessment of its Board of Directors of capital requirements and other factors, including dividend guidelines and the maintenance of an adequate allowance for loan and lease losses.

H. Community Reinvestment Act

Under the Community Reinvestment Act ("CRA") regulations, the federal banking agencies determine a bank's CRA rating by evaluating its performance on lending, service and investment tests, with the lending test being the most important. The tests are applied in an "assessment context" that is developed by the agency for the particular institution. The assessment context takes into account demographic data about the community, the community's characteristics and needs, the institution's capacities and constraints, the institution's product offerings and business strategy, the institution's prior performance, and data on similarly situated lenders. Since the assessment context for each bank is developed by the bank regulatory agencies, a particular bank does not know until it is examined whether its CRA programs and efforts have been sufficient.

Institutions, like the Bank, with $250.0 million or more in assets are required to compile and report data on their lending activities to measure the performance of their loan portfolio. Some of this data is already required under other laws, such as the Equal Credit Opportunity Act. Institutions have the option of being evaluated for CRA purposes in relation to their own pre-approved strategic plan. A strategic plan must be submitted to the institution's regulator three months before its effective date and must be published for public comment.

I. Audit Requirements

Depository institutions are required to have an annual examination of their financial records. Depository institutions with assets greater than $500.0 million are required to have annual, independent audits and to prepare all financial statements in compliance with generally accepted accounting principles. Depository institutions are also required to have an independent audit committee comprised entirely of outside directors, independent of the institution's management.

The Bank's accounting and reporting policies conform to generally accepted accounting principles and the practices prevalent in the banking industry.

J. Insurance Premiums and Assessments

The FDIC has authority to impose a special assessment on members of the Deposit Insurance Fund (the "DIF") to insure that there will be sufficient assessment income for repayment of DIF obligations and for any other purpose which it deems necessary. The FDIC is authorized to set semi-annual assessment rates for DIF members at levels sufficient to maintain the DIF's reserve ratio to a designated level of 1.25% of insured deposits.

Under FDICIA, the FDIC has developed a risk-based assessment system, which provides that the assessment rate for an insured depository institution will vary according to the level of risk incurred in its activities. An institution's risk category is based upon whether the institution is well capitalized, adequately capitalized or less than adequately capitalized. Each insured depository institution is also to be assigned to one of three "supervisory subgroups": Subgroup A institutions are financially sound institutions with a few minor weaknesses; Subgroup B institutions are institutions that demonstrate weaknesses which, if not corrected, could result in significant deterioration; and Subgroup C institutions are institutions for which there is a substantial probability that the FDIC will suffer a loss in connection with the institution unless effective action is taken to correct the areas of weakness. The FDIC assigns each DIF member institution an annual FDIC assessment rate on DIF insured deposits.

In December 2006, the FDIC issued amended rules intended to make the deposit insurance assessment system react more quickly and more accurately to changes in institutions' risk profiles, create a new system for risk-based assessments, and set assessment rates for the period beginning January 1, 2007. Among other things, the amendments provide that (i) deposit insurance assessments will be collected for one quarter at the end of the next quarter, (ii) an existing institution with $1.0 billion or more in assets and any institution that becomes insured on or after January 1, 2007 will have its assessment base determined using average daily balances, (iii) the float deduction previously used to determine the assessment base is eliminated, (iv) the nine assessment rate categories that were used previously were consolidated into four new categories, and (v) the designated reserve ratio is being maintained at 1.25%, subject to annual review. The amended rules also establish that effective January 1, 2007 the assessment rates will range from 5 to 7 basis points for Risk Category I institutions and will be 10 basis points for Risk Category II institutions, 28 basis points for Risk Category III institutions, and 43 basis points for Risk Category IV institutions.

K. Prompt Corrective Action

The FDIC has authority: (a) to request that an institution's primary regulatory agency (in the case of the Bank, the OCC) take enforcement action against it based upon an examination by the FDIC or the agency, (b) if no action is taken within 60 days and the FDIC determines that the institution is in an unsafe and unsound condition or that failure to take the action will result in continuance of unsafe and unsound practices, to order that action be taken against the institution, and (c) to exercise this enforcement authority under "exigent circumstances" merely upon notification to the institution's primary regulatory agency. This authority gives the FDIC the same enforcement powers with respect to any institution and its subsidiaries and affiliates as the primary regulatory agency has with respect to those entities.

An undercapitalized institution is required to submit an acceptable capital restoration plan to its primary federal bank regulatory agency. The plan must specify (a) the steps the institution will take to become adequately capitalized, (b) the capital levels to be attained each year, (c) how the institution will comply with any regulatory sanctions then in effect against the institution and (d) the types and levels of activities in which the institution will engage. The banking agency may not accept a capital restoration plan unless the agency determines, among other things, that the plan "is based on realistic assumptions, and is likely to succeed in restoring the institution's capital" and "would not appreciably increase the risk . . . to which the institution is exposed." A requisite element of an acceptable capital restoration plan for an undercapitalized institution is a guaranty by its parent holding company that the institution will comply with the capital restoration plan. Liability with respect to this guaranty is limited to the lesser of (i) 5% of the institution's assets at the time when it becomes undercapitalized and (ii) the amount necessary to bring the institution into capital compliance with applicable capital standards as of the time when the institution fails to comply with the plan. The guaranty liability is limited to companies controlling the undercapitalized institution and does not affect other affiliates. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment over the claims of other creditors, including the holders of the company's long-term debt.

FDICIA provides that the appropriate federal regulatory agency must require an insured depository institution that is significantly undercapitalized, or that is undercapitalized and either fails to submit an acceptable capital restoration plan within the time period allowed by regulation or fails in any material respect to implement a capital restoration plan accepted by the appropriate federal banking agency, to take one or more of the following actions: (a) sell enough shares, including voting shares, to become adequately capitalized; (b) merge with (or be sold to) another institution (or holding company), but only if grounds exist for appointing a conservator or receiver; (c) restrict specified transactions with banking affiliates as if the "sister bank" exception to the requirements of Section 23A of the Federal Reserve Act did not exist; (d) otherwise restrict transactions with bank or non-bank affiliates; (e) restrict interest rates that the institution pays on deposits to "prevailing rates" in the institution's "region"; (f) restrict asset growth or reduce total assets; (g) alter, reduce or terminate activities; (h) hold a new election of directors; (i) dismiss any director or senior executive officer who held office for more than 180 days immediately before the institution became undercapitalized, provided that in requiring dismissal of a director or senior executive officer, the agency must comply with procedural requirements, including the opportunity for an appeal in which the director or officer will have the burden of proving his or her value to the institution; (j) employ "qualified" senior executive officers; (k) cease accepting deposits from correspondent depository institutions; (l) divest non-depository affiliates which pose a danger to the institution; (m) be divested by a parent holding company; and (n) take any other action which the agency determines would better carry out the purposes of the prompt corrective action provisions.

In addition to the foregoing sanctions, without the prior approval of the appropriate federal banking agency, a significantly undercapitalized institution may not pay any bonus to any senior executive officer or increase the rate of compensation for a senior executive officer without regulatory approval. If an undercapitalized institution has failed to submit or implement an acceptable capital restoration plan the appropriate federal banking agency is not permitted to approve the payment of a bonus to a senior executive officer.

Not later than 90 days after an institution becomes critically undercapitalized, the institution's primary federal bank regulatory agency must appoint a receiver or a conservator, unless the agency, with the concurrence of the FDIC, determines that the purposes of the prompt corrective action provisions would be better served by another course of action. Any alternative determination must be documented by the agency and reassessed on a periodic basis. Notwithstanding the foregoing, a receiver must be appointed after 270 days unless the FDIC determines that the institution has positive net worth, is in compliance with a capital plan, is profitable or has a sustainable upward trend in earnings, and is reducing its ratio of non-performing loans to total loans, and unless the head of the appropriate federal banking agency and the chairperson of the FDIC certify that the institution is viable and not expected to fail.

The FDIC is required, by regulation or order, to restrict the activities of critically undercapitalized institutions. The restrictions must include prohibitions on the institution's doing any of the following without prior FDIC approval: entering into any material transactions not in the usual course of business, extending credit for any highly leveraged transaction; engaging in any "covered transaction" (as defined in Section 23A of the Federal Reserve Act) with an affiliate; paying "excessive compensation or bonuses"; and paying interest on "new or renewed liabilities" that would increase the institution's average cost of funds to a level significantly exceeding prevailing rates in the market.

L. Potential Enforcement Actions; Supervisory Agreements

Under federal law, national banks and their institution-affiliated parties may be the subject of potential enforcement actions by the OCC for unsafe and unsound practices in conducting their businesses, or for violations of any law, rule or regulation or provision, any consent order with any agency, any condition imposed in writing by the agency or any written agreement with the agency. Enforcement actions may include the imposition of a conservator or receiver, cease-and-desist orders and written agreements, the termination of insurance of deposits, the imposition of civil money penalties and removal and prohibition orders against institution-affiliated parties.

M. USA PATRIOT Act

Pursuant to USA PATRIOT Act, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and "know your customer" standards in their dealings with foreign financial institutions and foreign customers. For example, the enhanced due diligence policies, procedures, and controls generally require financial institutions to take reasonable steps:

- To conduct enhanced scrutiny of account relationships to guard against money laundering and report any suspicious transaction;
- To ascertain the identity of the nominal and beneficial owners of, and the source of funds deposited into, each account as needed to guard against money laundering and report any suspicious transactions;
- To ascertain for any foreign bank, the shares of which are not publicly traded, the identity of the owners of the foreign bank, and the nature and extent of the ownership interest of each such owner; and
- To ascertain whether any foreign bank provides correspondent accounts to other foreign banks and, if so, the identity of those foreign banks and related due diligence information.

The USA PATRIOT Act, requires financial institutions to establish anti-money laundering programs and sets forth minimum standards for these programs, including:

- The development of internal policies, procedures, and controls;
- The designation of a compliance officer;
- An ongoing employee training program; and
- An independent audit function to test the programs.

The Bank has adopted comprehensive policies and procedures to address the requirements of the USA PATRIOT Act, and management believes that the Bank is currently in compliance with the Act.

N. Money Laundering Control Act

The Money Laundering Control Act of 1986 provides sanctions for the failure to report high levels of cash deposits to non-bank financial institutions. Federal banking regulators possess the power to revoke the charter or appoint a conservator for any institution convicted of money laundering. Offending banks could lose their federal deposit insurance, and bank officers could face lifetime bans from working in financial institutions. The Community Development Act, which includes a number of provisions that amend the Bank Secrecy Act, allows the Secretary of the Treasury to exempt specified currency transactions from reporting requirements and permits the federal bank regulatory agencies to impose civil money penalties on banks for violations of the currency transaction reporting requirements.

O. Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Act, adopted in 1999, eliminated many of the barriers that separated the insurance, securities and banking industries since the Great Depression. The major provisions of the Gramm-Leach-Bliley Act are:

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Financial Holding Companies and Financial Activities. Title I establishes a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers by revising and expanding the BHC Act framework to permit a holding company system to engage in a full range of financial activities through qualification as a new entity known as a financial holding company.

Activities permissible for financial subsidiaries of national banks include, but are not limited to, the following: (a) Lending, exchanging, transferring, investing for others, or safeguarding money or securities; (b) Insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker for purposes of the foregoing, in any State; (c) Providing financial, investment, or economic advisory services, including advising an investment company; (d) Issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly; and (e) Underwriting, dealing in, or making a market in securities.

Securities Activities. Title II narrows the exemptions from the securities laws previously enjoyed by banks.

Insurance Activities. Title III restates the proposition that the states are the functional regulators for all insurance activities, including the insurance activities of federally-chartered banks, and bars the states from prohibiting insurance activities by depository institutions.

Privacy. Under Title V, federal banking regulators were required to adopt rules that have limited the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. Under the rules, financial institutions must provide:

- initial notices to customers about their privacy policies, describing the conditions under which they may disclose nonpublic personal information to nonaffiliated third parties and affiliates;

- annual notices of their privacy policies to current customers; and

- a reasonable method for customers to "opt out" of disclosures to nonaffiliated third parties.

Safeguarding Confidential Customer information. Under Title V, federal banking regulators were required to adopt rules requiring financial institutions to implement a program to protect confidential customer information, and the federal banking agencies have adopted guidelines requiring financial institutions to establish an information security program. The federal bank regulatory agencies have established standards for safeguarding nonpublic personal information about customers that implement provisions of the Gramm-Leach Bliley Act (the “Guidelines”). Among other things, the Guidelines require each financial institution, under the supervision and ongoing oversight of its Board of Directors or an appropriate committee thereof, to develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, to protect against any anticipated threats or hazards to the security or integrity of such information, and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

Community Reinvestment Act Sunshine Requirements. The federal banking agencies have adopted regulations implementing Section 711 of Title VII, the CRA Sunshine Requirements. The regulations require nongovernmental entities or persons and insured depository institutions and affiliates that are parties to written agreements made in connection with the fulfillment of the institution's CRA obligations to make available to the public and the federal banking agencies a copy of each agreement. The Bank is not a party to any agreement that would be the subject of reporting pursuant to the CRA Sunshine Requirements.

P. Fair Credit Reporting

The Fair Credit Reporting Act (the "FCRA") was adopted to ensure the confidentiality, accuracy, relevancy and proper utilization of consumer credit report information. Under the framework of the FCRA, the United States has developed a highly advanced and efficient credit reporting system. The information contained in that broad system is used by financial institutions, retailers and other creditors of every size in making a wide variety of decisions regarding financial transactions. Employers and law enforcement agencies have also made wide use of the information collected and maintained in databases made possible by the FCRA. The FCRA affirmatively preempts state law in a number of areas, including the ability of entities affiliated by common ownership to share and exchange information freely, the requirements on credit bureaus to reinvestigate the contents of reports in response to consumer complaints, among others.

Q. Consumer Laws and Regulations

The Bank must also comply with consumer laws and regulations that are designed to protect consumers in transactions with banks. While the list is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, and the Fair Housing Act, among others. These laws and regulations mandate disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits or making loans. The Bank must comply with the applicable provisions of these consumer protection laws and regulations as part of its ongoing regulatory compliance and customer relations efforts.

R. Exposure to and Management of Risk

The federal banking agencies examine banks and bank holding companies with respect to their exposure to and management of different categories of risk. Categories of risk identified by the agencies include legal risk, operational risk, market risk, credit risk, interest rate risk, price risk, foreign exchange risk, transaction risk, compliance risk, strategic risk, credit risk, liquidity risk, and reputation risk. This examination approach causes bank regulators to focus on risk management procedures, rather than simply examining every asset and transaction. This approach supplements rather than replaces existing rating systems based on the evaluation of an institution's capital, assets, management, earnings and liquidity.

S. Safety and Soundness Standards

Federal banking regulators have adopted a Safety and Soundness Rule and Interagency Guidelines Prescribing Standards for Safety and Soundness. The guidelines create standards for a wide range of operational and managerial matters including (a) internal controls, information systems, and internal audit systems; (b) loan documentation; (c) credit underwriting; (d) interest rate exposure; (e) asset growth; (f) compensation and benefits; and (g) asset quality and earnings.

The Community Development Act requires the federal bank regulatory agencies to prescribe standards prohibiting as an unsafe and unsound practice the payment of excessive compensation that could result in material financial loss to an institution, and to specify when compensation, fees or benefits become excessive. These guidelines characterize compensation as excessive if it is unreasonable or disproportionate to the services actually performed by the executive officer, employee, director or principal shareholder being compensated.

Federal regulators have stated that the guidelines are meant to be flexible and general enough to allow each institution to develop its own systems for compliance. With the exception of the standards for compensation and benefits, a failure to comply with the guidelines' standards does not necessarily constitute an unsafe and unsound practice or condition. On the other hand, an institution in conformance with the standards may still be found to be engaged in an unsafe and unsound practice or to be in an unsafe and unsound condition.

Although meant to be flexible, an institution that falls short of the guidelines' standards may be requested to submit a compliance plan or be subjected to regulatory enforcement actions. Generally, the federal banking agencies will request a compliance plan if an institution's failure to meet one or more of the standards is of sufficient severity to threaten the safe and sound operation of the institution. An institution must file a compliance plan within 30 days of request by its primary federal regulator, which is the OCC in the case of the Bank. The guidelines provide for prior notice of and an opportunity to respond to the agency's proposed order. An enforcement action may be commenced if, after being notified that it is in violation of a safety and soundness standard, the institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted plan. The Federal Deposit Insurance Act provides the agencies with a wide range of enforcement powers. An agency may, for example, obtain an enforceable cease and desist order in the United States District Court, or may assess civil money penalties against an institution or its affiliated parties.

T. Impact of Government Monetary Policy

The earnings of the Bank are and will be affected by the policies of regulatory authorities, including the Federal Reserve. An important function of the Federal Reserve is to regulate the national supply of bank credit. Among the instruments used to implement these objectives are open market operations in U.S. Government securities, changes in reserve requirements against bank deposits, and changes in the discount rate which banks pay on advances from the Federal Reserve System. These instruments are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect interest rates on loans or interest rates paid for deposits. The monetary policies of the FRB have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effect, if any, of such policies upon the future business earnings of the Bank cannot be predicted.

U. Programs to Mitigate Identity Theft

In November 2007, federal banking agencies together with the NCUA and FTC adopted regulations under the Fair and Accurate Credit Transactions Act of 2003 to require financial institutions and other creditors to develop and implement a written identity theft prevention program to detect, prevent and mitigate identity theft in connection with certain new and existing accounts. Covered accounts generally include consumer accounts and other accounts that present a reasonably foreseeable risk of identity theft. Each institution's program must include policies and procedures designed to: (i) identify indicators, or "red flags," of possible risk of identity theft; (ii) detect the occurrence of "red flags"; (iii) respond appropriately to "red flags" that are detected; and (iv) ensure that the program is updated periodically as appropriate to address changing circumstances. The regulations include guidelines that each institution must consider and, to the extent appropriate, include in this program.

Legislation and Proposed Changes

From time to time, legislation is enacted which has the effect of increasing the cost of doing business, limiting or expanding permissible activities or affecting the competitive balance between banks and other financial institutions. Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies and other financial institutions are frequently made in Congress and before various bank regulatory agencies. For example, from time to time Congress has considered various proposals to eliminate the federal thrift charter, create a uniform financial institutions charter, conform holding company regulation, and abolish the Office of Thrift Supervision. Typically, the intent of this type of legislation is to strengthen the banking industry, even if it may on occasion prove to be a burden on management's plans. No prediction can be made as to the likelihood of any major changes or the impact that new laws or regulations might have on the Company or the Bank.

During 2007 major banks and securities firms announced substantial losses on sub-prime related investments. In December 2007, the Bush administration announced a proposal to freeze interest rates on certain sub-prime mortgages at pre-adjustment levels for up to five years in an effort to minimize residential foreclosures and bring some stability to home prices. As currently described, the proposal would benefit residential owner-occupants who are not yet in default but are likely to default after interest rate and payment adjustments are put into effect; those already in default and those who are presumed able to afford their adjusted payments would not be covered. No assurance can be given whether this proposal will ultimately be adopted, what revision might be made before adoption, how many borrowers will be affected by it or what effect it may have on foreclosures and home prices. In addition to the Bush administration proposal, various state and federal legislative proposals are pending and could be enacted. The Company does not originate sub-prime mortgages or hold sub-prime investments, but the value of real estate collateral securing its commercial mortgages may be affected by residential real estate values in its service area.

Conclusion

It is impossible to predict with any certainty the competitive impact the laws and regulations described above will have on commercial banking in general and on the business of the Company in particular, or to predict whether or when any of the proposed legislation and regulations described above will be adopted. It is anticipated that banking will continue to be a highly regulated industry. Additionally, there has been a continued lessening of the historical distinction between the services offered by financial institutions and other businesses offering financial services, and the trend toward nationwide interstate banking is expected to continue. As a result of these factors, it is anticipated banks will experience increased competition for deposits and loans and, possibly, further increases in their cost of doing business.

Item 1A. Risk Factors

RISK FACTORS

Readers and prospective investors in our securities should carefully consider the following risk factors as well as the other information contained or incorporated by reference in this report.

The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors.

If any of the following risks actually occur, the Company’s financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the Company’s securities could decline significantly, and you could lose all or part of your investment.

Market and Interest Rate Risk

Changes in interest rates could reduce income and cash flow

The discussion in this report under “Item 7a Quantitative and Qualitative Disclosures About Market Risk” is incorporated by reference in this paragraph. The Company’s income and cash flow depend to a great extent on the difference between the interest earned on loans and investment securities, and the interest paid on deposits and other borrowings. We cannot control or prevent changes in the level of interest rates. They fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies, in particular, the FRB. Changes in monetary policy, including changes in interest rates, will influence the origination of loans, the purchase of investments, the generation of deposits and the rates received on loans and investment securities and paid on deposits and other liabilities.

Risks Related to the nature and geographical location of Bridge Capital Holdings’ business

Bridge Capital Holdings’ invests in loans that contain inherent credit risks that may cause us to incur losses

The Company closely monitors the markets in which it conducts its lending operations and adjusts its strategy to control exposure to loans with higher credit risk. Asset reviews are performed using grading standards and criteria similar to those employed by bank regulatory agencies. We can provide no assurance that the credit quality of our loans will not deteriorate in the future and that such deterioration will not adversely affect the Company.

Bridge Capital Holdings' operations are concentrated geographically in California, and poor economic conditions may cause us to incur losses.

Substantially all of Bridge Capital Holdings' business is located in California. Bridge Capital Holdings' financial condition and operating results will be subject to changes in economic conditions in California. In the early to mid-1990s, California experienced a significant and prolonged downturn in its economy, which adversely affected financial institutions. Economic conditions in California are subject to various uncertainties at this time, including the decline in the technology sector, the California state government's budgetary difficulties and continuing fiscal difficulties. The Company will be subject to changes in economic conditions. We can provide no assurance that conditions in the California economy will not deteriorate in the future and that such deterioration will not adversely affect Bridge Capital Holdings.

The markets in which Bridge Capital Holdings operates are subject to the risk of earthquakes and other natural disasters

Most of the properties of Bridge Capital Holdings are located in California. Also, most of the real and personal properties which currently secure the company's loans are located in California. California is a state which is prone to earthquakes, brush fires, flooding and other natural disasters. In addition to possibly sustaining damage to its own properties, if there is a major earthquake, flood or other natural disaster, Bridge Capital Holdings faces the risk that many of its borrowers may experience uninsured property losses, or sustained job interruption and/or loss which may materially impair their ability to meet the terms of their loan obligations. A major earthquake, flood or other natural disaster in California could have a material adverse effect on Bridge Capital Holdings' business, financial condition, results of operations and cash flows.

Substantial competition in the California banking market could adversely affect us

Banking is a highly competitive business. We compete actively for loan, deposit, and other financial services business in California. Our competitors include a large number of state and national banks, thrift institutions and credit unions, as well as many financial and non-financial firms that offer services similar to those offered by us. Other competitors include large financial institutions that have substantial capital, technology and marketing resources. Such large financial institutions may have greater access to capital at a lower cost than us, which may adversely affect our ability to compete effectively.

Regulatory Risks

Restrictions on dividends and other distributions could limit amounts payable to us

Various statutory provisions restrict the amount of dividends our subsidiaries can pay to us without regulatory approval. In addition, if any subsidiary of ours were to liquidate, that subsidiary's creditors will be entitled to receive distributions from the assets of that subsidiary to satisfy their claims against it before we, as a holder of an equity interest in the subsidiary, will be entitled to receive any of the assets of the subsidiary.

Adverse effects of, or changes in, banking or other laws and regulations or governmental fiscal or monetary policies could adversely affect us

We are subject to significant federal and state regulation and supervision, which is primarily for the benefit and protection of our customers and not for the benefit of investors. In the past, our business has been materially affected by these regulations. This trend is likely to continue in the future. Laws, regulations or policies, including accounting standards and interpretations currently affecting us and our subsidiaries, may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, our business may be adversely affected by any future changes in laws, regulations, policies or interpretations or regulatory approaches to compliance and enforcement, including legislative and regulatory reactions to the terrorist attack on September 11, 2001 and future acts of terrorism, and major U.S. corporate bankruptcies and reports of accounting irregularities at U.S. public companies.

Additionally, our business is affected significantly by the fiscal and monetary policies of the federal government and its agencies. We are particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the U.S. Under long-standing policy of the Federal Reserve Board, a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of that policy, we may be required to commit financial and other resources to our subsidiary bank in circumstances where we might not otherwise do so. Among the instruments of monetary policy available to the Federal Reserve Board are (a) conducting open market operations in U.S. government securities, (b) changing the discount rates of borrowings by depository institutions, and (c) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the Federal Reserve Board may have a material effect on our business, results of operations and financial condition.

See "Supervision and Regulation – Legislation and Proposed Changes" for additional discussion regarding adverse effects of, or changes in, banking or other laws and regulations and governmental fiscal or monetary policies.

Systems, Accounting and Internal Control Risks

The accuracy of the Company's judgments and estimates about financial and accounting matters will impact operating results and financial condition

The discussion under "Critical Accounting Policies and Estimates" in this report and the information referred to in that discussion is incorporated by reference in this paragraph. The Company makes certain estimates and judgments in preparing its financial statements. The quality and accuracy of those estimates and judgments will have an impact on the Company's operating results and financial condition.

The Company's information systems may experience an interruption or breach in security

The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management and systems. There can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately corrected by the Company. The occurrence of any such failures, interruptions or security breaches could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company's controls and procedures may fail or be circumvented

Management regularly reviews and updates the Company's internal control over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls and procedures, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations and financial condition.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

At December 31, 2007, the Company's operations included facilities as follows:

The principal executive office and a full service banking office are located at 55 Almaden Boulevard, City of San Jose, County of Santa Clara, State of California. The office consists of approximately 42,337 square feet on three floors of an eight-story office building. 24,767 square feet of the space was originally sublet from a prior tenant in a sublease which commenced December 26, 2003 and terminated December 31, 2006. The sublease provided for an initial base rent of $28,730 with annual escalations to $45,819 in the final year of the sublease. The Bank has entered into a direct lease with the landlord, which commenced immediately following the expiration of the sublease term on January 1, 2007 for 120 months ending on December 31, 2016. The direct lease provides for an initial twelve-month period of reduced rent followed by a base rent of $47,305 beginning on January 1, 2008 and increasing 3.0% on each anniversary date thereafter. The Bank has also entered into an additional direct lease with the landlord to occupy 17,570 square feet, which commenced November 1, 2006 and terminates on December 31, 2016. The direct lease provides for an initial twelve-month period with no rent followed by an initial base rent of $36,897 with annual escalations to $48,142 in the final year of the lease. The foregoing description is qualified by reference to the lease agreement dated November 1, 2006 attached as Exhibit 10.16 herein.

A non-banking administrative office is located at 2120 El Camino Real, in the City of Santa Clara, County of Santa Clara, State of California. The office is located in a freestanding, two-story building, consisting of 5,430 square feet, located at the intersection of El Camino Real and McCormick Drive. The premises include 42 parking spaces situated on a 35,719 square foot parcel. The premises are sublet from Washington Mutual Bank. The sublease provides for a base rent of $13,583 per month from the commencement date until the first anniversary of the sublease. On each anniversary date of the commencement of the sublease, the base rent will be increased by 4.0% of the amount of the basic rent during the prior year. The Bank is also responsible for real estate taxes and insurance costs. The sublease is for a period of ten (10) years, terminating on September 30, 2010. There is no option to extend the sublease beyond that date. Current lease payments are $17,186 per month through the anniversary of the commencement date. The foregoing description of the office is qualified by reference to the lease agreement dated August 31, 2000 exhibit 10.3 to this Report.

An additional full service banking office is located at 525 University Avenue, City of Palo Alto, County of Santa Clara, State of California. The office consists of approximately 6,495 square feet located in Suite 31 in the building known as the Palo Alto Office Center. The Lease is an amendment to a lease which ended November 30, 2006 and is for a term of 86 months commencing on February 1, 2007 and ending on January 31, 2014. The Lease provides for a base rent of $29,228 through the first anniversary of the lease date. Effective with the first anniversary date the lease payments will be adjusted by a factor that is tied to the Consumer Price Index. The foregoing description is qualified by reference to the lease agreement dated October 15, 2001 attached as exhibit 10.6 to this Report and the amendment to this lease agreement dated March 9, 2006 attached as exhibit 10.17 to this Report.

In addition, the Bank operates loan production offices in Redwood City, San Ramon, Sacramento, and Southern California as well as Dallas, Texas and Reston, Virginia.

Item 3. Legal Proceedings

The Company is not a defendant in any pending legal proceedings and no such proceedings are known to be contemplated. No director, officer, affiliate, more than 5.0% shareholder of the Company or any associate of these persons is a party adverse to the Company or has a material interest adverse to the Company in any material legal proceeding.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of the fiscal year covered by this Annual Report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

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

The Company's Common Stock trades on the Nasdaq Capital Market under the symbol "BBNK". The following table summarizes those trades of which the Company has knowledge, setting forth the high and low sales prices for the periods indicated.

	Sales Price of Common Stock (1)	
Three Months Ended	Low	High
March 31, 2006	$ 17.40	$ 19.97
June 30, 2006	$ 19.00	$ 20.49
September 30, 2006	$ 19.15	$ 22.70
December 31, 2006	$ 20.10	$ 22.98
March 31, 2007	$ 20.00	$ 22.60
June 30, 2007	$ 21.25	$ 23.70
September 30, 2007	$ 20.86	$ 24.58
December 31, 2007	$ 21.00	$ 23.00

(1) Prices represent the actual trading history on the Nasdaq Capital Market. Additionally, since trading in the Company's common stock is limited, the range of prices stated is not necessarily representative of prices which would result from a more active market.

The Company had 288 shareholders of record as of December 31, 2007.

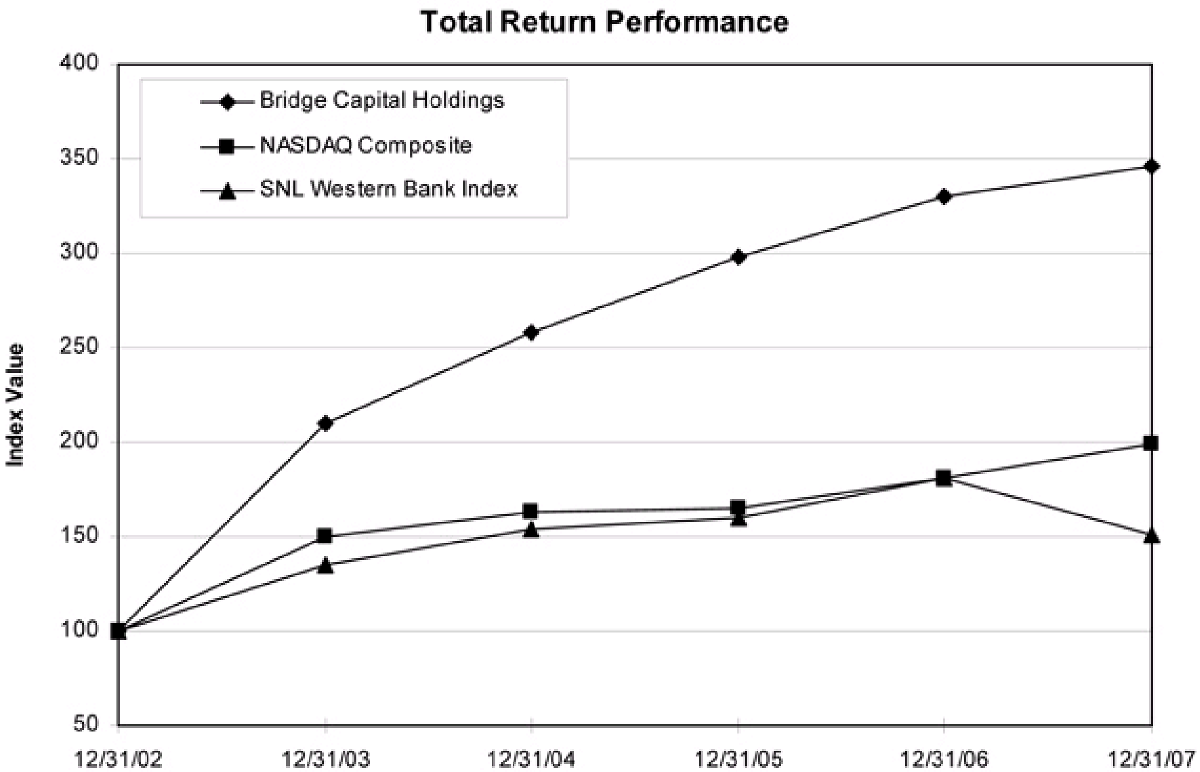
The Company's shareholders are entitled to receive dividends, when and as declared by its Board of Directors, out of funds legally available, subject to statutory and regulatory restrictions. See "Supervision and Regulation – Payment of Dividends" for additional discussion regarding dividends.

A California corporation such as Bridge Capital Holdings may make a distribution to its shareholders if the corporation's retained earnings equal at least the amount of the proposed distribution. In the event sufficient retained earnings are not available for the proposed distribution, a California corporation may nevertheless make a distribution to its shareholders if, after giving effect to the distribution, the corporation's assets equal at least 125 percent of its liabilities and certain other conditions are met. Since the 125 percent ratio is equivalent to a minimum capital ratio of 20 percent, most bank holding companies, including Bridge Capital Holdings based on its current projected capital ratios, are unable to meet this last test and so must have sufficient retained earnings to fund the proposed distribution.

In a policy statement, the FRB has advised bank holding companies that it believes that payment of cash dividends in excess of current earnings from operations is inappropriate and may be cause for supervisory action. As a result of this policy, banks and their holding companies may find it difficult to pay dividends out of retained earnings from historical periods prior to the most recent fiscal year or to take advantage of earnings generated by extraordinary items such as sales of buildings or other large assets in order to generate profits to enable payment of future dividends. Additionally, the FRB's position that holding companies are expected to provide a source of managerial and financial strength to their subsidiary banks potentially restricts a bank holding company's ability to pay dividends.

The Company has not declared dividends since inception of the Bank's existence. In the future, the Company may consider cash and stock dividends, subject to the restrictions on the payment of cash dividends as described above, depending upon the level of earnings, management's assessment of future capital needs and other factors considered by the Board of Directors.

The following chart reflects the total return performance of the Company's common stock for the years ended December 31, 2007, 2006, 2005, 2004, and 2003, including the performance of shares of common stock of the Bank prior to the formation of the Company as holding company for the Bank on October 1, 2004.



Index	*Period Ending* 12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
Bridge Capital Holdings	100.00	209.52	257.74	298.39	329.68	346.45
NASDAQ Composite	100.00	150.01	162.89	165.13	180.85	198.60
SNL Western Bank Index	100.00	135.46	153.94	160.27	180.84	151.05

Item 6. Selected Financial Data

The following table presents certain consolidated financial information concerning the business of the Company. This information should be read in conjunction with the Financial Statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere herein.

(dollars in thousands, except per share data)	As of and for the year ended December 31,				
	2007	2006	2005	2004	2003
Statement of Operations Data:					
Interest income	$ 66,745	$ 52,962	$ 34,118	$ 19,457	$ 12,133
Interest expense	19,160	14,271	6,615	2,896	2,235
Net interest income	47,585	38,691	27,503	16,561	9,898
Provision for credit losses	(2,275)	(1,372)	(2,162)	(1,671)	(843)
Net interest income after provision for credit losses	45,310	37,319	25,341	14,890	9,055
Other income	6,713	3,837	4,197	3,855	2,664
Other expenses	(33,574)	(27,279)	(19,981)	(13,596)	(10,214)
Income before income taxes	18,449	13,877	9,557	5,149	1,505
Income taxes	(7,583)	(5,243)	(3,832)	(2,112)	1,868
Net income (loss)	$ 10,866	$ 8,634	$ 5,725	$ 3,037	$ 3,373
Per Share Data:					
Basic income (loss) per share	$ 1.70	$ 1.38	$ 0.93	$ 0.50	$ 0.56
Diluted income (loss) per share	1.57	1.27	0.85	0.46	0.53
Shareholders' equity per share	10.04	7.77	6.36	5.43	4.95
Cash dividend per common share	-	-	-	-	
Balance Sheet Data:					
Balance sheet totals:					
Assets	$ 774,832	$ 721,979	$ 536,520	$ 402,037	$ 278,579
Loans, net	642,265	531,956	432,667	289,467	191,053
Deposits	671,356	644,987	468,158	352,456	246,394
Shareholders' equity	65,084	49,094	39,714	33,122	29,954
Average balance sheet amounts:					
Assets	$ 750,538	$ 606,506	$ 465,944	$ 341,466	$ 222,454
Loans, net	581,253	458,648	348,592	240,465	156,587
Deposits	665,925	535,472	411,678	307,471	193,765
Shareholders' equity	56,192	44,646	36,017	30,768	27,075
Selected Ratios:					
Return on average equity	19.34%	19.34%	15.90%	9.87%	12.46%
Return on average assets	1.45%	1.42%	1.23%	0.89%	1.52%
Efficiency ratio	61.83%	64.14%	63.03%	66.59%	81.31%
Risk based capital ratio	11.67%	11.74%	11.58%	13.77%	14.68%
Net chargeoffs (recoveries) to average gross loans	0.17%	0.00%	0.06%	0.08%	-0.05%
Allowance for loan losses to total gross loans	1.32%	1.36%	1.35%	1.41%	1.38%
Average equity to average assets	7.49%	7.36%	7.73%	9.01%	12.17%

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain matters discussed or incorporated by reference in this Annual Report on Form 10-K are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Please see “Forward-Looking Statements” on page 2. Therefore, the information set forth therein should be carefully considered when evaluating business prospects of the Company.

Critical Accounting Policies

Our accounting policies are integral to understanding the results reported. Accounting policies are described in detail in Note 1 to the Consolidated Financial Statements. Our most complex accounting policies require management’s judgment to ascertain the valuation of assets, liabilities, commitments and contingencies. We have established detailed policies and procedures that are intended to ensure valuation methods are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of our current accounting policies involving significant management valuation judgments.

Allowance for Loan Losses

The allowance for loan losses represents management’s best estimate of losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. The provision for loan losses is determined based on management’s assessment of several factors: reviews and evaluation of specific loans, changes in the nature and volume of the loan portfolio, current economic conditions and the related impact on specific borrowers and industry groups, historical loan loss experiences, the level of classified and nonperforming loans and the results of regulatory examinations.

Loans are considered impaired if, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The measurement of impaired loans is generally based on the present value of expected future cash flows discounted at the historical effective interest rate stipulated in the loan agreement, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. In measuring the fair value of the collateral, management uses assumptions and methodologies consistent with those that would be utilized by unrelated third parties.

Changes in the financial condition of individual borrowers, economic conditions, historical loss experience, and the condition of the various markets in which collateral may be sold may all affect the required level of the allowance for loan losses and the associated provision for loan losses.

Sale of SBA Loans

In calculating gain on the sale of SBA loans, the Bank performs an allocation based on the relative fair values of the sold portion and retained portions of the loan. The company assumptions are validated by reference to external market information.

Available-for-sale securities

The fair value of most securities classified as available-for-sale is based on quoted market prices. If quoted market prices are not available, fair values are extrapolated from the quoted prices of similar instruments.

Deferred Tax Assets

Our deferred tax assets are explained in Note 8 to the Consolidated Financial Statements. The Company has sufficient taxable income from current and prior periods to support our position that the benefit of our deferred tax assets will be realized. As such, we have provided no valuation allowance against our deferred tax assets.

Operating Results

For the year ended December 31, 2007, the Company reported net income of $10.9 million or $1.70 basic and $1.57 diluted earnings per share, compared with net income of $8.6 million or $1.38 basic and $1.27 diluted earnings per share for the year ended December 31, 2006 and $5.7 million or $0.93 basic and $0.85 diluted earnings per share for the year ended December 31, 2005. The improvement in net income for 2007 resulted primarily from an increase of $8.9 million in net interest income and an increase of $2.9 million in non-interest income, offset, in part, by and increase in provision for credit losses of $900,000 and an increase of $6.3 million in other expense. See the specific sections below for details regarding these changes.

Net income for 2006 represented an increase of $2.9 million compared to 2005 primarily due to an increase of $11.2 million in net interest income and by a decrease of $800,000 in provision for credit losses, offset, in part, by an increase of $7.3 million in other expense.

Net Interest Income and Margin

Net interest income is the principal source of the Company's operating earnings. Net interest income is affected by changes in the nature and volume of earning assets held during the year, the rates earned on such assets and the rates paid on interest-bearing liabilities. The following table shows the composition of average earning assets and average funding sources, average yields and rates, and the net interest margin for the three years ended December 31, 2007, 2006 and 2005.

(dollars in thousands)	Year Ended December 31,								
	2007			2006			2005		
	Average Balance	Interest Income/ Expense	Yields/ Rates	Average Balance	Interest Income/ Expense	Yields/ Rates	Average Balance	Interest Income/ Expense	Yields/ Rates
Assets									
Interest earning assets (2):									
Loans (1)	$590,443	$ 61,008	10.3%	$466,529	$ 48,248	10.3%	$354,552	$ 31,983	9.0%
Federal funds sold	52,166	2,648	5.1%	78,946	3,990	5.1%	52,234	1,703	3.3%
Investment securities	60,901	3,089	5.1%	17,523	724	4.1%	18,712	432	2.3%
Total earning assets	703,510	66,745	9.5%	562,998	52,962	9.4%	425,498	34,118	8.0%
Noninterest earning assets:									
Cash and due from banks	25,284			27,748			27,767		
All other assets (3)	21,744			15,760			12,679		
TOTAL	$750,538			$606,506			$465,944		
Liabilities and shareholders' equity									
Interest-bearing liabilities:									
Deposits:									
Demand	$ 5,382	40	0.7%	$ 3,902	34	0.9%	$ 3,363	25	0.7%
Savings	371,371	13,783	3.7%	261,251	8,858	3.4%	193,088	4,192	2.2%
Time	88,542	4,281	4.8%	99,924	4,290	4.3%	56,183	1,657	2.9%
Other	17,802	1,056	5.9%	19,106	1,089	5.7%	13,426	741	5.5%
Total interest-bearing Liabilities	483,097	19,160	4.0%	384,183	14,271	3.7%	266,060	6,615	2.5%
Noninterest-bearing liabilities:									
Demand deposits	200,630			170,395			159,044		
Accrued expenses and other liabilities	10,619			7,282			4,823		
Shareholders' equity	56,192			44,646			36,017		
TOTAL	$750,538			$606,506			$465,944		
Net interest income and margin		$ 47,585	6.8%		$ 38,691	6.9%		$ 27,503	6.5%

1) Includes amortization of loan fees of $5.9 million for 2007, $4.2 million for 2006 and $3.5 million for 2005. Nonperforming loans have been included in average loan balances.

2) Interest income is reflected on an actual basis, not on a fully taxable equivalent basis. Yields are based on amortized cost.

3) Net of average allowance for credit losses of $7.7 million and average deferred loan fees of $1.5 million for 2007, average allowance for credit losses of $6.5 million and deferred loan fees of $1.4 million for 2006 and average allowance for credit losses of $4.9 million and deferred loan fees of $1.1 million for 2005.

Interest differential is affected by changes in volume, changes in rates and a combination of changes in volume and rates. Volume changes are caused by changes in the levels of average earning assets and average interest bearing deposits and borrowings. Rate changes result from changes in yields earned on assets and rates paid on liabilities. Changes not solely attributable to volume or rates have been allocated to the rate component.

The following table shows the effect on the interest differential of volume and rate changes for the years ended December 31, 2007, 2006 and 2005:

(dollars in thousands)

	Year Ended December 31,					
	2007 vs. 2006			2006 vs. 2005		
	Increase (decrease) due to change in			Increase (decrease) due to change in		
	Average Volume	Average Rate	Total Change	Average Volume	Average Rate	Total Change
Interest income:						
Loans	$ 12,804	$ (44)	$ 12,760	$ 11,581	$ 4,684	$ 16,265
Federal funds sold	(1,359)	17	(1,342)	1,350	937	2,287
Investment securities	2,200	165	2,365	(49)	341	292
Total interest income	13,645	138	13,783	12,882	5,962	18,844
Interest expense:						
Demand	11	(5)	6	5	4	9
Savings	4,087	838	4,925	2,312	2,354	4,666
Time	(550)	541	(9)	1,878	755	2,633
Other	(77)	44	(33)	324	24	348
Total interest expense	3,471	1,418	4,889	4,518	3,138	7,656
Change in net interest income	$ 10,174	$ (1,280)	$ 8,894	$ 8,363	$ 2,824	$ 11,188

Net interest income was $47.6 million in 2007, comprised of $66.8 million in interest income and $19.2 million in interest expense. Net interest income in 2006 was $38.7 million, comprised of $53.0 million in interest income and $14.3 million in interest expense. The increase of $8.9 million in net interest income in 2007 was primarily due to an increase of $13.8 million in interest income offset, in part, by an increase of $4.9 million in interest expense.

Net interest income for the year ended December 31, 2006 represented an increase of $11.2 million over $27.5 million for the year ended December 31, 2005. The increase in net interest income was primarily a result of an increase of $18.9 million in interest income offset, in part, by an increase of $7.7 million in interest expense.

The net interest margin (net interest income divided by average earning assets) was 6.8% for the year ended December 31, 2007, as compared to 6.9% for the year ended December 31, 2006 and 6.5% for 2005. The decline in net interest margin in 2007 compared to 2006 was primarily the result of growth in the volume of average interest bearing liabilities and decreased balance sheet leverage. The improvement in net interest margin in 2006 compared to 2005 was primarily the result of increases in the prime rate during the year, a shift in the mix of loans toward higher yielding product lines and an increase in Federal funds sold. Average loans represented 83.9% of average earning assets in 2007 compared to 82.9% in 2006 and 83.3% in 2005. In addition, in 2007 the Bank’s ratio of average loans to average deposits was 88.7%, up from 87.1% in 2006 and 86.1% in 2005 reflecting slightly faster loan growth relative to deposit funding.

Significant factors affecting net interest income include the volumes and mix of the loan, investment and deposit portfolios and changes in short-term interest rates. The interest rate earned on a majority of the Company’s assets, specifically the loan portfolio, adjust with changes in short-term market rates. As such, the nature of the Company’s balance sheet is that, over time as short-term interest rates change, income on interest earning assets has a greater impact on net interest income than interest paid on liabilities. The Company’s prime rate averaged 8.05%, 7.96%, and 6.17% for the years ended 2007, 2006, and 2005, respectively.

Interest Income

For the year ended December 31, 2007, the Company reported interest income of $66.8 million, an increase of $13.8 million or 26.0% over $53.0 million reported in 2006. The increase in interest income primarily reflects an increase in the volume of average earning assets in 2007 compared to 2006. Average earning assets were $703.5 million for the year ended December 31, 2007 an increase of $140.5 million or 25.0% over $563.0 million for the year ended December 31, 2006.

For the year ended December 31, 2006, the Company reported interest income of $53.0 million, an increase of $18.9 million or 55.4% over $34.1 million reported in 2005. The increase in interest income primarily reflects an increase in the volume of average earning assets in 2006 compared to 2005. Average earning assets were $563.0 million for the year ended December 31, 2006 an increase of $137.5 million or 32.3% over $425.5 million for the year ended December 31, 2005. In addition, the majority of the Bank's earning assets have rate structures that re-price with movements in short-term interest rates, primarily the prime rate and fed funds rate. During 2006, each of these indices increased by 100 basis points.

Interest Expense

Interest expense was $19.2 million for the year ended December 31, 2007, which represented an increase of $4.9 million or 34.3% compared to $14.3 million for the year ended December 31, 2006. The increase in interest expense reflects an increase in the rate on and volume of average interest-bearing liabilities in 2007 compared to 2006. Average interest-bearing liabilities were $483.1 million for the year ended December 31, 2007, an increase of $98.9 million or 25.7% from $384.2 million for the year ended December 31, 2006.

Interest expense was $14.3 million for the year ended December 31, 2006, which represented an increase of $7.7 million or 116.7% compared to $6.6 million for the year ended December 31, 2005. The increase in interest expense reflects an increase in the rate on and volume of average interest-bearing liabilities in 2006 compared to 2005. Average interest-bearing liabilities were $384.2 million for the year ended December 31, 2006, an increase of $118.1 million or 44.4% from $266.1 million for the year ended December 31, 2005.

Credit Risk and Provision for Credit Losses

The Bank maintains an allowance for credit losses which is based, in part, on the loss experience of the Bank and the California banking industry, the impact of economic conditions within the Bank's market area, and, as applicable, the State of California, the value of underlying collateral, loan performance and inherent risks in the loan portfolio. The allowance is reduced by charge-offs and increased by provisions for credit losses charged to operating expense and recoveries of previously charged-off loans. Based on management's evaluation of such risks, additions of $2.3 million, $1.4 million and $2.2 million were made to the allowance for credit losses in 2007, 2006 and 2005, respectively. During 2007, the Bank had $1.3 million in charge offs and had recoveries of $259,000 as compared to no charge offs and $21,000 in recoveries in 2006 and $384,000 in charge offs and $12,000 in recoveries in 2005. The allowance for credit losses was $8.6 million representing 1.32% of total loans at December 31, 2007 as compared to $7.3 million representing 1.36% of total loans at December 31, 2006 and $5.9 million representing 1.35% of total loans at December 31, 2005.

Management is of the opinion that the allowance for credit losses is maintained at a level adequate for inherent losses in the loan portfolio. However, the Bank's loan portfolio, which includes approximately $256.4 million in real estate loans, representing approximately 39.3% of the portfolio, could be adversely affected if California economic conditions and the real estate market in the Bank's market area were to weaken. The effect of such events, although uncertain at this time, could result in an increase in the level of non-performing loans and Other Real Estate Owned ("OREO") and the level of the allowance for loan losses, which could adversely affect the Bank's future growth and profitability.

See "Allowance for Loan Losses" for additional discussion regarding the allowance for credit losses and nonperforming assets.

Non-interest Income

The following table sets forth the components of other income and the percentage distribution of such income for the years ended December 31, 2007, 2006 and 2005:

(dollars in thousands)	Year Ended December 31,					
	2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent
Gain on sale of SBA loans	$ 3,564	53.1%	$ 1,734	45.2%	$ 2,290	54.6%
Service charges on deposit accounts	672	10.0%	498	13.0%	354	8.4%
International fee income	658	9.8%	234	6.1%	78	1.9%
SBA loan servicing fee income	442	6.6%	548	14.3%	528	12.6%
Warrant income	441	6.6%	29	0.8%	-	0.0%
Increase in value-bank owned life insurance	402	6.0%	320	8.3%	377	9.0%
Other non-interest income	534	8.0%	474	12.4%	570	13.6%
	$ 6,713	100.0%	$ 3,837	100.0%	$ 4,197	100.0%

Non-interest income totaled $6.7 million in 2007, an increase of $2.9 million or 75.0% over $3.8 million in 2006. Non-interest income decreased $360,000, or 8.5% from 2005 to 2006. Non-interest income consists primarily of gains recognized on sales of SBA loans, service charge income on deposit accounts, and international fee income. The increase in non-interest income in 2007 compared to 2006 was primarily due to increased SBA loan sales, international fee income, and warrant income. The decrease in non-interest income in 2006 compared to 2005 was primarily due to decreased SBA loan sales, partially offset by increases in depositor service charges, international fee income, the amortization of the SBA valuation allowance, and warrant income.

Revenue from sales of SBA loans is dependant on consistent origination and funding of new loan volumes, the timing of which may be impacted, from time to time, by (1) increased competition from other lenders; (2) the relative attractiveness of SBA borrowing to other financing options; (3) adjustment of programs by the SBA; (4) changes in activities of secondary market participants and; (5) other factors. Gains recognized on sales of SBA loans were $3.6 million in 2007 which represented an increase of $2.3 million or 170.0% compared to $1.3 million the same period one year earlier. The increase was attributed to a higher volume of loans sold during the year. During 2007 the Company's SBA group funded $86.4 million in new loans and sold $90.3 million which compared to $66.3 million funded and $51.4 million sold in 2006 and $69.8 million funded and $66.6 million sold in 2005.

Non-interest Expenses

The components of other expense are set forth in the following table for the years ended December 31, 2007, 2006 and 2005.

Other Expense as a Percent of Average Assets

(dollars in thousands)	Year Ended December 31,					
	2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent
Salaries and benefits	$ 20,990	2.8%	$ 17,417	2.9%	$ 12,127	2.6%
Occupancy	3,390	0.5%	2,132	0.4%	1,652	0.4%
Data services	1,917	0.3%	1,528	0.3%	1,085	0.2%
Marketing	1,350	0.2%	1,081	0.2%	925	0.2%
Professional services	1,150	0.2%	825	0.1%	746	0.2%
Furniture and equipment	947	0.1%	701	0.1%	583	0.1%
Director/Shareholder expenses	837	0.1%	530	0.1%	458	0.1%
Deposit services/supplies	605	0.1%	525	0.1%	401	0.1%
Third party services	350	0.0%	925	0.2%	1,065	0.2%
Other	2,038	0.3%	1,615	0.3%	939	0.2%
	$ 33,574	4.5%	$ 27,279	4.5%	$ 19,981	4.3%

Non-interest expenses were $33.6 million in 2007 as compared to $27.3 million in 2006 and $20.0 million in 2005. Non-interest expense increased approximately $6.3 million in 2007 compared to 2006. This increase was primarily attributable to increased salaries and benefits cost, occupancy cost, data services, marketing, professional services, director and shareholder cost, and loan related charges. Non-interest expense increased approximately $7.3 million in 2006 compared to 2005. This increase was primarily attributable to increased salaries and benefits cost, occupancy cost, data services, director and shareholder cost, and loan related charges. Non-interest expenses measured as a percentage of average assets were 4.5% in 2007, as compared to 4.5% in 2006 and 4.3% in 2005.

The increases in non-interest expenses reflect the impact of expansion of the business during 2007, 2006 and 2005. During 2007, the Bank expanded its headquarters location to accommodate the expansion of the business and opened a loan production office in Sacramento, California. During 2006, the Bank opened loan production offices in Dallas, Texas and Reston, Virginia. During 2005, the Bank launched a technology banking division and opened a loan production office in San Ramon, California to serve the East Bay region.

Salaries and related benefits is the largest component of the Bank’s non-interest expense. Salaries and benefits were $21.0 million for the year ended December 31, 2007 as compared to $17.4 million and $12.1 million for the years ended December 31, 2006 and 2005, respectively. The increases in 2007 compared to 2006, and 2006 compared to 2005 are primarily attributable to the increase in full time equivalent employees (FTE) related to expansion of the business and to higher incentive compensation related to performance of the Bank. The Bank had 170 FTE at December 31, 2007 as compared to 134 FTE at December 31, 2006 and 103 FTE at December 31, 2005.

Occupancy expense for the year ended December 31, 2007 was $3.4 million and represented an increase of approximately $1.3 million over $2.1 million for the prior year. The increase was primarily due to additional rent expense related to the facility at 55 Almaden Boulevard, San Jose, California and the addition of a loan production office in the commercial lending group. Occupancy expense for the year ended December 31, 2006 was $2.1 million and represented an increase of approximately $400,000 over $1.7 million for the prior year. The increase was primarily due to additional rent expense related to the facility at 55 Almaden Boulevard, San Jose, California and the addition of a loan production office in the technology banking and asset-based lending groups.

The Company contracts with third-party vendors for most data processing needs and to support technical infrastructure. Data processing expense in 2007 was $1.9 million which represented an increase of approximately $400,000 over $1.5 million one year earlier. Data processing expense in 2006 was $1.5 million which represented an increase of approximately $400,000 over $1.1 million one year earlier. The increases in data processing in both years are primarily due to increases in deposit transaction volumes in addition to increases in FTE.

Legal and professional expenses were $1.2 million for the year ended December 31, 2007 which represented an increase of $325,000 over $825,000 in 2006. The increase in 2007 was primarily due to legal costs relating to general corporate matters and increases in ongoing accounting and auditing services. Legal and professional expenses were $825,000 for the year ended December 31, 2006 which represented an increase of $79,000 over $746,000 in 2005. The increase in 2006 was primarily due to increases in ongoing accounting and auditing services.

Furniture, fixtures and equipment (FF&E) expense of $947,000 for the year ended December 31, 2007 represented an increase of $246,000 compared to $701,000 in the same period one year earlier. The increase in 2007 was primarily related to the increase in FTE. Furniture, fixtures and equipment (FF&E) expense of $701,000 for the year ended December 31, 2006 represented an increase of $118,000 compared to $583,000 in the same period one year earlier. The increase in 2006 was primarily related to the increase in FTE.

As pressure continues on net interest margins and net asset growth, management of operating expenses will continue to be a priority.

Income Taxes

The Company’s effective tax rate was 41.1% for the year ended December 31, 2007, 37.8% for the year ended December 31, 2006 and 40.1% for the year ended December 31, 2005. See Note 8 to the financial statements for additional information on income taxes.

Quarterly Income

The unaudited income statement data of the Bank, in the opinion of management, includes all normal and recurring adjustments necessary to state fairly the information set forth herein. The results of operations are not necessarily indicative of results for any future period. The following table shows the Bank's unaudited quarterly income statement data for the years 2007, 2006, and 2005.

(dollars in thousands, except share amounts)	Three Months Ended			
	March 31	June 30	September 30	December 31
Year Ended December 31, 2007:				
Interest income	$ 15,378	$ 16,936	$ 17,627	$ 16,804
Interest expense	4,426	5,010	5,295	4,429
Net interest income	10,952	11,926	12,332	12,375
Provision for credit losses	200	1,000	475	600
Other income	1,294	2,612	1,435	1,372
Other expense	7,854	8,422	8,715	8,583
Income before income taxes	4,192	5,116	4,577	4,564
Income taxes	1,748	2,133	1,825	1,877
Net income	$ 2,444	$ 2,983	$ 2,752	$ 2,687
Earnings per share - basic	$ 0.38	$ 0.47	$ 0.43	$ 0.42
Earnings per share - diluted	$ 0.35	$ 0.43	$ 0.40	$ 0.39
Year Ended December 31, 2006:				
Interest income	$ 10,928	$ 12,479	$ 14,329	$ 15,226
Interest expense	2,386	3,221	4,239	4,425
Net interest income	8,542	9,258	10,090	10,801
Provision for credit losses	222	450	100	600
Other income	1,083	1,078	799	877
Other expense	6,338	6,630	7,066	7,245
Income before income taxes	3,065	3,256	3,723	3,833
Income taxes	1,134	1,237	1,415	1,457
Net income	$ 1,931	$ 2,019	$ 2,308	$ 2,376
Earnings per share - basic	$ 0.31	$ 0.32	$ 0.37	$ 0.38
Earnings per share - diluted	$ 0.29	$ 0.29	$ 0.34	$ 0.35
Year Ended December 31, 2005:				
Interest income	$ 6,615	$ 7,915	$ 9,173	$ 10,415
Interest expense	1,188	1,637	1,749	2,041
Net interest income	5,427	6,278	7,424	8,374
Provision for credit losses	333	429	800	600
Other income	784	1,136	994	1,283
Other expense	4,315	4,642	5,123	5,901
Income before income taxes	1,563	2,343	2,495	3,156
Income taxes	606	964	990	1,272
Net income	$ 957	$ 1,379	$ 1,505	$ 1,884
Earnings per share - basic	$ 0.16	$ 0.22	$ 0.24	$ 0.31
Earnings per share - diluted	$ 0.14	$ 0.21	$ 0.22	$ 0.28

FINANCIAL CONDITION AND EARNING ASSETS

As of December 31, 2007, total assets were $774.8 million, gross loans were $652.7 million and deposits were $671.4 million. Assets increased $52.9 million, a 7.3% increase from $722.0 million at December 31, 2006. Gross loans increased $111.9 million, or 20.7% from $540.8 million at December 31, 2006. Deposits increased $26.4 million, a 4.1% increase from $645.0 million at December 31, 2006.

As of December 31, 2006, total assets were $722.0 million, gross loans were $540.8 million and deposits were $645.0 million. Assets increased $185.5 million, a 34.6% increase from $536.5 million at December 31, 2005. Gross loans increased $100.8 million, or 22.9% from $440.0 million at December 31, 2005. Deposits increased $176.8 million, a 37.8% increase from $468.2 million at December 31, 2005.

Federal Funds Sold

Federal funds sold were $13.4 million at December 31, 2007 as compared to $93.8 million at December 31, 2006. This decrease is primarily due to a decrease in balance sheet leverage. The average balance of federal funds sold was $52.2 million in 2007 and $78.9 million in 2006. These balances represented 7.8% and 14.7% of average deposits for 2007 and 2006, respectively. They are maintained primarily for the short-term liquidity needs of the Bank.

Securities

The following table shows the composition of the securities portfolio at December 31, 2007, 2006 and 2005.

(dollars in thousands)	As of December 31,					
	2007		2006		2005	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. treasury	$ 201	$ 202	$ 200	$ 200	$ 199	$ 199
U.S. government agencies	54,450	55,280	43,815	43,733	12,355	12,184
Total securities available for sale	54,651	55,482	44,015	43,933	12,554	12,383
Total investment securities	$ 54,651	$ 55,482	$ 44,015	$ 43,933	$ 12,554	$ 12,383

The maturities and yields of the investment portfolio are shown below:

(dollars in thousands)		Due in one year or less		Due after one year through five years	
	Amortized Cost	Amount	Weighted Average Yield	Amount	Weighted Average Yield
As of December 31, 2007:					
U.S. treasury	$ 201	$ 201	4.5%	$ -	0.0%
U.S. government agencies	54,450	23,942	4.5%	30,508	4.8%
Total investment securities	$ 54,651	$ 24,143	4.5%	$ 30,508	4.8%
As of December 31, 2006:					
U.S. treasury	$ 200	$ 100	4.3%	$ 100	4.3%
U.S. government agencies	43,815	16,942	4.0%	26,873	4.8%
Total investment securities	$ 44,015	$ 17,042	4.0%	$ 26,973	4.8%

Investment securities are classified as available for sale. Any unrealized gain or loss on investment securities available for sale is reflected in the carrying value of the security and reported net of income taxes in the equity section of the balance sheet. The pre-tax unrealized gain on securities available for sale at December 31, 2007 was $831,000 as compared to a loss of ($82,000) at December 31, 2006 and ($102,000) at December 31, 2005.

Loan Portfolio

The following table shows the Bank's loans by type and their percentage distribution for the five years ended December 31, 2007, 2006, 2005, 2004 and 2003.

(dollars in thousands)	As of December 31,				
	2007	2006	2005	2004	2003
Commercial	$ 272,660	$ 197,174	$ 182,396	$ 100,681	$ 73,846
Real estate other	171,042	115,313	83,748	80,044	28,036
Real estate construction	85,378	103,710	84,792	42,323	35,065
Factoring and asset based lending	57,662	56,924	38,184	22,342	13,106
SBA	56,945	59,888	46,867	45,251	39,412
Other	9,042	7,771	4,011	3,945	4,984
Total gross loans	652,729	540,780	439,998	294,586	194,449
Unearned fee income	(1,856)	(1,495)	(1,395)	(973)	(713)
Total loan portfolio	$ 650,873	$ 539,285	$ 438,603	$ 293,613	$ 193,736
Commercial	41.8%	36.5%	41.5%	34.2%	38.0%
Real estate other	26.2%	21.3%	19.0%	27.2%	14.4%
Real estate construction	13.1%	19.2%	19.3%	14.3%	18.0%
Factoring and asset based lending	8.8%	10.5%	8.7%	7.6%	6.7%
SBA	8.7%	11.1%	10.7%	15.4%	20.3%
Other	1.4%	1.4%	0.8%	1.3%	2.6%
Total gross loans	100.0%	100.0%	100.0%	100.0%	100.0%

Gross loan balances increased to $652.7 million at December 31, 2007, which represented an increase of $111.9 million or 20.7% as compared to $540.8 million at December 31, 2006. The increase in loans was primarily in commercial and real estate term (includes longer term real estate loans, land loans and home equity lines), without a concentration in any one specific category of loans. The increase was a result of general marketing efforts. Gross loan balances increased to $540.8 million at December 31, 2006, which represented an increase of $100.8 million or 22.9% as compared to $440.0 million at December 31, 2005. The increase in loans was primarily in commercial and real estate term (includes longer term real estate loans, land loans and home equity lines), without a concentration in any one specific category of loans. The increase was a result of general marketing efforts.

The Bank's commercial loan portfolio represents loans to small and middle-market businesses primarily in the Santa Clara county region. Commercial loans were $272.7 million at December 31, 2007, which represented an increase of $75.5 million or 38.3% over $197.2 million at December 31, 2006. At December 31, 2007, commercial loans comprised 41.8% of total loans outstanding as compared to 36.5% at December 31, 2006. Commercial loans were $197.2 million at December 31, 2006, which represented an increase of $14.8 million or 8.1% over $182.4 million at December 31, 2005. At December 31, 2006, commercial loans comprised 36.5% of total loans outstanding as compared to 41.5% at December 31, 2005.

Other real estate loans consist of commercial real estate, land loans related to future construction credits and home equity lines of credit. Other real estate loans increased $55.7 million or 48.3% to $171.0 million at December 31, 2007 as compared to $115.3 million at December 31, 2006. The increase was primarily attributable to other real estate term loans. Other real estate loans increased $31.6 million or 37.8% to $115.3 million at December 31, 2006 as compared to $83.7 million at December 31, 2005. The increase was primarily attributable to other real estate term loans. At December 31, 2007, other real estate loans represented 26.2% of total loans as compared to 21.3% at December 31, 2006 and 19.0% at December 31, 2005.

The Bank's construction loan portfolio primarily consists of loans to finance individual single-family residential homes, approximately half of which are owner-occupied projects. Construction loans decreased $18.3 million, or 17.7%, to $85.4 million at December 31, 2007 as compared to $103.7 million at December 31, 2006. Construction loan balances at December 31, 2007 comprised 13.1% of total loans as compared to 19.2% at December 31, 2006. Construction loans increased $18.9 million, or 22.3%, to $103.7 million at December 31, 2006 as compared to $84.8 million at December 31, 2005. Construction loan balances at December 31, 2006 comprised 19.2% of total loans as compared to 19.3% at December 31, 2005.

Factoring and asset-based lending represents purchased accounts receivable (factoring) and a structured accounts receivable lending program where the Bank receives client specific payment for client invoices. Under the factoring program, the Bank purchases accounts receivable invoices from its clients and then receives payment directly from the party obligated for the receivable. In most cases the Bank purchases the receivables subject to recourse from the Bank's factoring client. The asset-based lending program requires a security interest in all of a client's accounts receivable. At December 31, 2007, factoring and asset based loans totaled $57.7 million or 8.8% of total loans as compared to $56.9 million or 10.5% of total loans at December 31, 2006.

The SBA line of business operates primarily in Santa Clara County and also maintains loan production offices in Sacramento County and Southern California. The Bank, as a Preferred Lender, originates SBA loans and participates in the SBA 7A and 504 SBA lending programs. Under the 7A program, a loan is made for commercial or real estate purposes. The SBA guarantees these loans and the guarantee may range from 70% to 90% of the total loan. In addition, the loan could be collateralized by a deed of trust on real estate.

Under the 504 program, the Bank lends directly to the borrower and takes a first deed of trust to the subject property. In addition the SBA, through a Community Development Corporation makes an additional loan to the borrower and takes a deed of trust subject to the Bank's position. The Bank's position in relation to the real estate "piggyback" loans can range from 50% to 70% loan to value.

At December 31, 2007, SBA loans comprised $56.9 million or 8.7% of total loans as compared to $59.9 million or 11.1% of total loans at December 31, 2006 and $46.9 million or 10.7% of total loans at December 31, 2005. The Bank has the intent to sell all or a portion of the SBA loans and, as such, carries the saleable portion of SBA loans at the lower of aggregate cost or fair value. At December 31, 2007, 2006 and 2005, the fair value of SBA loans exceeded aggregate cost and therefore, SBA loans were carried at aggregate cost.

Other loans consist primarily of loans to individuals for personal uses, such as installment purchases, overdraft protection loans and a variety of other consumer purposes. At December 31, 2007, other loans totaled $9.0 million as compared to $7.8 million at December 31, 2006 and $4.0 million at December 31, 2005.

Allowance for Loan Losses

A consequence of lending activities is the potential for loss. The amount of such losses will vary from time to time depending upon the risk characteristics of the loan portfolio as affected by economic conditions, rising interest rates and the financial experience of the borrowers. The allowance for loan losses, which provides for the risk of losses inherent in the credit extension process, is increased by the provision for loan losses charged to expense and decreased by the amount of charge-offs net of recoveries. There is no precise method of estimating specific losses or amounts that ultimately may be charged off on particular segments of the loan portfolio. Similarly, the adequacy of the allowance for loan losses and the level of the related provision for loan losses are determined in management's judgment based on consideration of:

- Economic conditions
- Borrowers' financial condition
- Loan impairment
- Evaluation of industry trends
- Historic losses, migrations and delinquency trends
- Industry and other concentrations
- Loans which are contractually current as to payment terms but demonstrate a higher degree of risk as identified by management
- Continuing evaluation of the performing loan portfolio
- Periodic review and evaluation of problem loans
- Off balance sheet risks

- Assessments by regulators and other third parties

In addition to the internal assessment of the loan portfolio, the Bank also retains a consultant who performs credit reviews on a regular basis and then provides an assessment of the adequacy of the allowance for loan losses. The federal banking regulators also conduct examinations of the loan portfolio periodically.

The following table summarizes the activity in the allowance for loan losses.

(dollars in thousands)	Year ended December 31,				
	2007	2006	2005	2004	2003
Balance, beginning of period	$ 7,329	$ 5,936	$ 4,146	$ 2,683	$ 1,765
Loans charged off by category:					
Commercial and other	562	-	384	240	-
Real estate construction	-	-	-	-	-
Real estate other	16	-	-	-	-
Factoring and asset-based lending	677	-	-	-	-
Consumer	-	-	-	-	10
Total charge-offs	1,255	-	384	240	10
Recoveries by category:					
Commercial and other	259	21	12	32	85
Real estate construction	-	-	-	-	-
Real estate other	-	-	-	-	-
Factoring and asset-based lending	-	-	-	-	-
Consumer	-	-	-	-	-
Total recoveries	259	21	12	32	85
Net (recoveries) charge-offs	996	(21)	372	208	(75)
Provision charged to expense	2,275	1,372	2,162	1,671	843
Balance, end of year	$ 8,608	$ 7,329	$ 5,936	$ 4,146	$ 2,683
Ratio of net charge-offs during the period to average gross loans outstanding	0.17%	0.00%	0.06%	0.08%	-0.05%
Ratio of allowance for credit losses to gross loans outstanding at end of year	1.32%	1.36%	1.35%	1.41%	1.38%
Allowance to nonperforming loans at end of year	175.17%	1677.12%	255.87%	404.09%	4547.46%

Based on an evaluation of the individual credits, historical credit loss experienced by loan type and economic conditions, management has allocated the allowance for loan losses as follows for the five years ended December 31:

(dollars in thousands)	As of December 31,				
	2007	2006	2005	2004	2003
Commercial and other	3,124	1,831	2,029	998	666
Real estate other	2,356	1,152	721	1,132	288
Real estate construction	783	1,082	742	444	400
Factoring / asset based lending	1,239	1,415	443	312	261
SBA	1,053	1,803	1,975	1,231	1,042
Other	53	46	26	29	26
	$ 8,608	$ 7,329	$ 5,936	$ 4,146	$ 2,683
Commercial and other	36.3%	25.0%	34.2%	24.1%	24.8%
SBA	27.4%	15.7%	12.1%	27.3%	10.7%
Real estate construction	9.1%	14.8%	12.5%	10.7%	14.9%
Real estate other	14.4%	19.3%	7.5%	7.5%	9.7%
Factoring / asset based lending	12.2%	24.6%	33.3%	29.7%	38.8%
Other	0.6%	0.6%	0.4%	0.7%	1.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

Loans for which the accrual of interest has been suspended, restructured loans, and other loans with principal or interest contractually past due 90 days or more as set forth in the following table as of December 31 of each year:

(dollars in thousands)	As of December 31,				
	2007	2006	2005	2004	2003
Loans accounted for on a non-accrual basis	$ 4,914	$ 437	$ 2,320	$ 1,026	$ 59
Loans restructured and in compliance with modified terms	-	-	-	-	-
Other loans with principal or interest contractually past due 90 days or more	-	-	-	-	-
	$ 4,914	$ 437	$ 2,320	$ 1,026	$ 59

The accrual of interest on loans is discontinued and any accrued and unpaid interest is reversed when, in the opinion of management, there is significant doubt as to the collectibility of interest or principal or when the payment of principal or interest is ninety days past due, unless the amount is well-secured and in the process of collection. There were four non-accrual loans at December 31, 2007 totaling $4.9 million as compared to two non-accrual loans at December 31, 2006 totaling $437,000 and one non-accrual loan totaling $2.3 million at December 31, 2005. Included in the non-accrual loans at December 31, 2007 was one loan totaling $3.7 million which was collateralized by undeveloped land. This loan had an indicated potential loss exposure of approximately $330,000 and an impairment reserve was included in the allowance for loan losses. The other significant non-accrual loan was an SBA 504 loan that totaled $713,000 and was adequately collateralized by undeveloped land. As such, no specific reserve was required for this loan.

Income on such loans is only recognized to the extent that cash is received and where the future collection of principal is probable. Accrual of interest is resumed only when principal and interest are brought fully current and when such loans are considered to be collectible as to both principal and interest.

At December 31, 2007, 2006, and 2005, there were no loans past due 90 days or more as to principal or interest and still accruing interest.

At December 31, 2007 there was one commercial property valued at $425,000 that was categorized as “other real estate owned”. At December 31, 2006 and 2005 there were no properties owned by the Bank acquired through the foreclosure process.

Funding

Deposits represent the Bank's principal source of funds. Most of the Bank's deposits are obtained from professionals, small- to medium sized businesses and individuals within the Bank's market area. The Bank's deposit base consists of non-interest and interest-bearing demand deposits, savings and money market accounts and certificates of deposit. The following table summarizes the composition of deposits as of December 31, 2007, 2006 and 2005.

(dollars in thousands)	As of December 31,					
	2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent
Noninterest-bearing demand	$ 198,641	29.59%	$ 198,639	30.80%	$ 185,557	39.64%
Interest-bearing demand	5,350	0.80%	3,901	0.60%	2,866	0.61%
Money market and savings	372,923	55.55%	333,838	51.76%	210,011	44.86%
Certificates of deposit:						
Less than $100	22,896	3.41%	28,918	4.48%	19,228	4.11%
$100 and more	71,546	10.66%	79,691	12.36%	50,496	10.79%
Total deposit portfolio	$ 671,356	100.00%	$ 644,987	100.00%	$ 468,158	100.00%

Deposits increased $26.4 million or 4.1% from $645.0 million at December 31, 2006 to $671.4 million at December 31, 2007. The increase in deposits was primarily in non-interest bearing demand, money market and certificates of deposit raised from the Bank's primary market in Santa Clara County. The increase can be attributed to marketing efforts from the Bank's main office in San Jose and branch office in Palo Alto and certificates of deposit raised from institutions in order to manage balance sheet liquidity. Deposits at December 31, 2007 included $10.7 million, or 1.6% of the total, in title and escrow company account balances compared to $27.3 million, or 4.2% at December 31, 2006 and $70.6 million, or 15.1% at December 31, 2005. Excluding title and escrow company account balances, deposits increased $43.0 million or 7.0% compared to December 31, 2006, and increased $220.1 million or 47.0% from 2005 to 2006.

Capital Resources

The Company's capital resources consist of shareholders' equity, trust preferred securities and (for regulatory purposes) the allowance for credit losses (subject to limitations). At December 31, 2007, the Company's capital resources increased $14.4 million to $88.6 million from $74.2 million at December 31, 2006. Tier 1 capital increased $13.5 million to $80.0 million primarily due to net income of $10.9 million. Tier 2 capital increased $912,000 primarily due to the increase in the allowance for credit losses of $1.3 million.

The Company is subject to capital adequacy guidelines issued by the Board of Governors and the OCC. The Company is required to maintain total capital equal to at least 8.0% of assets and commitments to extend credit, weighted by risk, of which at least 4.0% must consist primarily of common equity including retained earnings (Tier 1 capital) and the remainder may consist of subordinated debt, cumulative preferred stock or a limited amount of allowance for credit losses. Certain assets and commitments to extend credit present less risk than others and will be assigned to lower risk-weighted categories requiring less capital allocation than the 8.0% total ratio. For example, cash and government securities are assigned to a 0.0% risk-weighted category, most home mortgage loans are assigned to a 50.0% risk-weighted category requiring a 4.0% capital allocation and commercial loans are assigned to a 100.0% risk-weighted category requiring an 8.0% capital allocation. As of December 31, 2007, the Company's and the Bank's total risk-based capital ratios were 11.7% and 11.3%, respectively, (11.7% for the Company and 11.3% for the Bank at December 31, 2006).

The following table reflects the Company's Leverage, Tier 1 and total risk-based capital ratios for the period ended December 31, 2007 and 2006.

(dollars in thousands)

	As of December 31,			
	2007		2006	
	Amount	Ratio	Amount	Ratio
Company Capital Ratios				
Tier 1 Capital	$ 80,024	10.54%	$ 66,533	10.52%
(to Risk Weighted Assets)				
Tier 1 capital minimum requirement	$ 30,376	4.00%	$ 25,293	4.00%
Total Capital	$ 88,632	11.67%	$ 74,229	11.74%
(to Risk Weighted Assets)				
Total capital minimum requirement	$ 60,752	8.00%	$ 50,587	8.00%
Company leverage				
Tier 1 Capital	$ 80,024	10.66%	$ 66,533	10.97%
(to Average Assets)				
Total capital minimum requirement	$ 30,022	4.00%	$ 24,260	4.00%
Bank Risk Based Capital Ratios				
Tier 1 Capital	$ 77,096	10.17%	$ 64,145	10.15%
(to Risk Weighted Assets)				
Tier 1 capital minimum requirement	$ 30,328	4.00%	$ 25,272	4.00%
Total Capital	$ 85,704	11.30%	$ 71,474	11.31%
(to Risk Weighted Assets)				
Total capital minimum requirement	$ 60,655	8.00%	$ 50,544	8.00%
Bank leverage				
Tier 1 Capital	$ 77,096	10.27%	$ 64,145	10.59%
(to Average Assets)				
Total capital minimum requirement	$ 30,018	4.00%	$ 24,240	4.00%

The federal banking agencies, including the OCC, have adopted regulations implementing a system of prompt corrective action under FDICIA. The regulations establish five capital categories with the following characteristics: (1) ”Well capitalized,” consisting of institutions with a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater and a leverage ratio of 5.0% or greater and which are not operating under an order, written agreement, capital directive or prompt corrective action directive; (2) ”Adequately capitalized,” consisting of institutions with a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital of 4.0% or greater and a leverage ratio of 4.0% or greater and which do not meet the definition of a “well capitalized” institution; (3) ”Undercapitalized,” consisting of institutions with a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 4.0%, or a leverage ratio of less than 4.0%; (4) ”Significantly undercapitalized,” consisting of institutions with a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 3.0%, or a leverage ratio of less than 3.0%; and (5) ”Critically undercapitalized,” consisting of institutions with a ratio of tangible equity to total assets that is equal to or less than 2.0%.

Financial institutions classified as undercapitalized or below are subject to various limitations including, among other matters, certain supervisory actions by bank regulatory authorities and restrictions related to (i) growth of assets, (ii) payment of interest on subordinated indebtedness, (iii) payment of dividends or other capital distributions, and (iv) payment of management fees to a parent holding company. The FDICIA requires the bank regulatory authorities to initiate corrective action regarding financial institutions that fail to meet minimum capital requirements. Such action may result in orders to, among other matters, augment capital and reduce total assets. Critically undercapitalized financial institutions may also be subject to appointment of a receiver or implementation of a capitalization plan.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Liquidity/Interest Rate Sensitivity

The Bank strives to manage its liquidity to provide adequate funds at an acceptable cost to support the borrowing requirements and deposit flows of its customers. Liquidity requirements are evaluated by taking into consideration factors such as deposit concentrations, seasonality and maturities, loan and lease demand, capital expenditures and prevailing and anticipated economic conditions. The Bank’s business is generated primarily through customer referrals and employee business development efforts.

The Bank is primarily a business and professional bank and, as such, its deposit base is more susceptible to economic fluctuations. The Bank strives to maintain a balanced position of liquid assets to volatile and cyclical deposits. At December 31, 2007, liquid assets as a percentage of deposits were 14.4% as compared to 25.1% in 2006. In addition to cash and due from banks, liquid assets include interest-bearing deposits with other banks, federal funds sold, and unpledged securities available for sale.

Management regularly reviews general economic and financial conditions, both external and internal, and determines whether the positions taken with respect to liquidity and interest rate sensitivity continue to be appropriate. The Bank utilizes a monthly "Gap" report as well as a quarterly simulation model to identify interest rate sensitivity over the short- and long-term. Management considers the results of these analyses when implementing its interest rate risk management activities, including the utilization of certain interest rate hedges.

The following table sets forth the distribution of repricing opportunities, based on contractual terms, of the Company's earning assets and interest-bearing liabilities at December 31, 2007, the interest rate sensitivity gap (i.e. interest rate sensitive assets less interest rate sensitive liabilities), the cumulative interest rate sensitivity gap, the interest rate sensitivity gap ratio (i.e. interest rate gap divided by interest rate sensitive assets) and the cumulative interest rate sensitivity gap ratio.

Based on the contractual terms of its assets and liabilities, the Bank’s balance sheet at December 31, 2007 was asset sensitive in terms of its short-term exposure to interest rates. That is, at December 31, 2007 the volume of assets that might reprice within the next year exceeded the volume of liabilities that might reprice. This position provides a hedge against rising interest rates, but has a detrimental effect during times of rate decreases. Net interest income is negatively impacted by a decline in interest rates and positively impacted by an increase in interest rates. To partially mitigate the adverse impact of declining rates, the majority of variable rate loans made by the Bank have been written with a minimum “floor” rate. In addition, the Bank has entered into two interest rate swaps to hedge the variable cash flows associated with $100 million of existing variable-rate assets.

(dollars in thousands)	As of December 31, 2007					
	Within three months	After three months but within six months	After six months but within one year	After one year but within five years	After five years	Total
Federal funds sold	$ 13,395	$ -	$ -	$ -	$ -	$ 13,395
U.S. treasury and agency securities	9,999	4,994	9,207	31,282	-	55,482
Loans	441,555	41,180	30,879	84,292	54,823	652,729
Total earning assets	464,949	46,174	40,086	115,574	54,823	721,606
Interest checking, money market and savings deposits	378,273	-	-	-	-	378,273
Certificates of deposit:						
Less than $100,000	7,229	2,566	6,962	6,138	-	22,895
$100,000 or more	40,101	7,224	15,364	8,857	-	71,546
Total interest-bearing liabilities	385,502	2,566	6,962	6,138	0	472,714
Interest rate gap	$ 79,447	$ 43,608	$ 33,124	$ 109,436	$ 54,823	$ 248,892
Cumulative interest rate gap	$ 79,447	$ 123,055	$ 156,179	$ 265,615	$ 320,438	
Interest rate gap ratio	0.17	0.94	0.83	0.95	1.00	
Cumulative interest rate gap ratio	0.17	0.24	0.28	0.40	0.44	

The following table shows maturity and interest rate sensitivity of the loan portfolio at December 31, 2007 and 2006. At December 31, 2007, approximately 79.2% of the loan portfolio is priced with floating interest rates which limit the exposure to interest rate risk on long-term loans.

(dollars in thousands)

	As of December 31, 2007			
	Amount	Due one year or less	Due after one year through five years	Due after five years
Commercial	$ 272,660	$ 161,013	$ 84,173	$ 27,474
SBA	56,945	12,059	3,174	41,712
Real estate construction	85,378	74,457	10,921	-
Real estate other	171,042	58,670	42,561	69,811
Factoring and asset based lending	57,662	55,834	1,828	-
Other	9,042	8,272	770	-
Total loans	$ 652,729	$ 370,305	$ 143,427	$ 138,997

	As of December 31, 2006			
	Amount	Due one year or less	Due after one year through five years	Due after five years
Commercial	$ 197,174	$ 102,870	$ 82,154	$ 12,150
SBA	59,888	8,857	186	50,845
Real estate construction	103,710	102,005	1,705	-
Real estateother	115,313	44,802	25,633	44,878
Factoring and asset based lending	56,924	56,924	-	-
Other	7,771	4,656	3,115	-
Total loans	$ 540,780	$ 320,114	$ 112,793	$ 107,873

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

The definition of “off-balance sheet arrangements” includes any transaction, agreement or other contractual arrangement to which an entity is a party under which we have:

- Any obligation under a guarantee contract that has the characteristics as defined in paragraph 3 of FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantee including Indirect Guarantees of Indebtedness to Others” (“FIN 45”);

- A retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets, such as a subordinated retained interest in a pool of receivables transferred to an unconsolidated entity;

- Any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, except that it is both indexed to the registrant’s own stock and classified in stockholders’ equity; or

- Any obligation, including contingent obligations, arising out of a material variable interest, as defined in FASB Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46”), in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

In the ordinary course of business, we have issued certain guarantees which qualify as off-balance sheet arrangements. As of December 31, 2007 those guarantees include the following:

Financial Letters of Credit in the amount of $15.8 million

The table below summarizes the Bank’s off-balance sheet contractual obligations.

(dollars in thousands)	As of December 31, 2007				
	Payments due by period				
Contractual Obligations	Total	Less Than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term contracts	$ 2,929	$ 1,026	$ 1,599	$ 304	$ -
Operating leases	15,054	1,825	3,703	3,352	6,174
Total	$ 17,983	$ 2,851	$ 5,302	$ 3,656	$ 6,174

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

All schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule or because the information required is included in the Financial Statements or notes thereto.

* * * * *

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Bridge Capital Holdings

We have audited the consolidated balance sheets of Bridge Capital Holdings and Subsidiary as of December 31, 2007and 2006 , and the related statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express opinions on these consolidated financial statements based on our audits.

We have also audited, in accordance with the standards of the Public Company Oversight Board (United States), Bridge Capital Holdings and Subsidiary's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2008, expressed an unqualified opinion.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bridge Capital Holdings and Subsidiary as of December 31, 2007 and 2006 and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
March 3, 2008

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Bridge Capital Holdings and Subsidiary
San Jose, California

We have audited Bridge Capital Holdings and Subsidiary's (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 conformity with U.S. 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 (1) 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 U.S. generally accepted accounting principles, and the 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 Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board, the consolidated balance sheet of the Company as of December 31, 2007 and the related consolidated statements of operations, shareholders' equity and comprehensive income and cash flows for the year then ended, and our report dated March 3, 2008 expressed an unqualified opinion on those financial statements.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
March 3, 2008

Bridge Capital Holdings and Subsidiary
Consolidated Balance Sheets
(dollars in thousands)

	As of December 31, 2007		As of December 31, 2006	
Assets:				
Cash and due from banks	$	27,440	$	24,360
Federal funds sold		13,395		93,845
Total cash and equivalents		40,835		118,205
Investment securities available for sale		55,482		43,933
Loans, net of allowance for credit losses of $8,608 at December 31, 2007 and $7,329 at December 31, 2006		642,265		531,956
Premises and equipment, net		5,005		3,479
Other real estate owned		425		-
Accrued interest receivable		4,400		4,292
Other assets		26,420		20,114
Total assets	$	774,832	$	721,979
Liabilities and Shareholders' Equity:				
Deposits:				
Demand noninterest-bearing	$	198,641	$	198,639
Demand interest-bearing		5,350		3,901
Savings		372,923		333,838
Time		94,442		108,609
Total deposits		671,356		644,987
Junior subordinated debt securities		17,527		17,527
Other borrowings		10,000		-
Accrued interest payable		210		318
Other liabilities		10,655		10,053
Total liabilities		709,748		672,885
Commitments and contingencies		-		-
Shareholders' Equity:				
Preferred stock, no par value; 10,000,000 shares authorized; none issued		-		-
Common stock, no par value; 30,000,000 shares authorized; 6,485,630 shares issued and outstanding at December 31, 2007; 6,318,694 shares issued and outstanding at December 31, 2006.		35,974		34,406
Additional paid in capital		1,723		1,021
Retained earnings		25,409		14,543
Accumulated other comprehensive (loss)		1,978		(876)
Total shareholders' equity		65,084		49,094
Total liabilities and shareholders' equity	$	774,832	$	721,979

The accompanying notes are an integral part of the financial statements.

Bridge Capital Holdings and Subsidiary
Consolidated Statements of Operations
(dollars in thousands, except share data)

	Year Ended December 31,		
	2007	**2006**	**2005**
Interest Income:			
Loans	$ 61,008	$ 48,248	$ 31,983
Federal funds sold	2,648	3,990	1,703
Investment securities available for sale	3,089	724	432
Total interest income	66,745	52,962	34,118
Interest Expense:			
Deposits	18,104	13,182	5,874
Other	1,056	1,089	741
Total interest expense	19,160	14,271	6,615
Net interest income	47,585	38,691	27,503
Provision for credit losses	2,275	1,372	2,162
Net interest income after provision for credit losses	45,310	37,319	25,341
Non-Interest Income:			
Gain on sale of SBA loans	3,564	1,734	2,290
Service charges on deposit accounts	672	498	354
International fee income	658	234	78
SBA loan servicing fee income	442	548	528
Warrant income	441	29	-
Increase in value-bank owned life insurance	402	320	377
Other non-interest income	534	474	570
Total non-interest income	6,713	3,837	4,197
Operating Expenses:			
Salaries and benefits	20,990	17,417	12,127
Occupancy	3,390	2,132	1,652
Data services	1,917	1,528	1,085
Marketing	1,350	1,081	925
Professional services	1,150	825	746
Furniture and equipment	947	701	583
Director/Shareholder expenses	837	530	458
Deposit services/supplies	605	525	401
Third party services	350	925	1,065
Other	2,038	1,615	939
Total operating expenses	33,574	27,279	19,981
Income before income taxes	18,449	13,877	9,557
Income taxes	7,583	5,243	3,832
Net income	$ 10,866	$ 8,634	$ 5,725
Basic earnings per share	$ 1.70	$ 1.38	$ 0.93
Diluted earnings per share	$ 1.57	$ 1.27	$ 0.85
Average common shares outstanding	6,380,100	6,274,051	6,164,898

Average common and equivalent shares outstanding	6,925,904	6,816,700	6,730,947

The accompanying notes are an integral part of the financial statements.

Bridge Capital Holdings and Subsidiary
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(dollars in thousands, except share data)

	Common Stock and Additional Paid in Capital		Retained	Accumulated Other Comprehensive	Total Share-holders'
	Shares	Amount	Earnings	Income (loss)	Equity
Balance at December 31, 2004	6,097,697	$ 33,057	$ 184	$ (119)	$ 33,122
Stock options exercised	129,899	730	-	-	730
Tax benefit from exercise of non qualified stock options	-	120	-	-	120
Other comprehensive income	-	-	-	17	17
Net income for the year	-	-	5,725	-	5,725
Balance at December 31, 2005	6,227,596	$ 33,907	$ 5,909	$ (102)	$ 39,714
Stock options exercised	91,098	619	-	-	619
Tax benefit from exercise of non qualified stock options	-	141	-	-	141
Stock based compensation	-	760	-	-	760
Other comprehensive income	-	-	-	(774)	(774)
Net income for the year	-	-	8,634	-	8,634
Balance at December 31, 2006	6,318,694	$ 35,427	$ 14,543	$ (876)	$ 49,094
Stock options exercised	105,231	801	-	-	801
Tax benefit from exercise of non qualified stock options	-	316	-	-	316
Stock based compensation	-	1,153	-	-	1,153
Other comprehensive income	-	-	-	2,854	2,854
Net income for the year	-	-	10,866	-	10,866
Balance at December 31, 2007	6,423,925	$ 37,697	$ 25,409	$ 1,978	$ 65,084

The accompanying notes are an integral part of the financial statements.

Bridge Capital Holdings and Subsidiary
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,		
	2007	2006	2005
Cash Flows From Operating Activities:			
Net income	$ 10,866	$ 8,634	$ 5,725
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	2,275	1,372	2,162
Depreciation and amortization	1,041	840	853
Stock based compensation	1,153	760	-
Proceeds from loan sales	90,334	51,359	66,578
Loans originated for sale	(86,427)	(66,268)	(69,843)
Increase in accrued interest receivable and other assets	(4,700)	(4,290)	(4,747)
Increase in accrued interest payable and other liabilities	722	2,478	2,176
Net cash provided (used in) by operating activities	15,264	(5,115)	2,904
Cash Flows From Investing Activities:			
Purchase of securities available for sale	(38,462)	(41,984)	(50,394)
Proceeds from maturities of securities available for sale	28,100	10,625	64,300
Net increase in loans	(116,916)	(85,752)	(142,097)
Purchase of fixed assets	(2,841)	(2,085)	(935)
Net cash used in investing activities	(130,119)	(119,196)	(129,126)
Cash Flows From Financing Activities:			
Net increase in deposits	26,368	176,830	115,702
Proceeds from sale of common stock	1,117	619	850
Increase in other borrowings	10,000	(4,473)	10,000
Net cash provided by financing activities	37,485	172,976	126,552
Net (Decrease) Increase in Cash and Equivalents:	(77,370)	48,665	330
Cash and equivalents at beginning of period	118,205	69,540	69,210
Cash and equivalents at end of period	$ 40,835	$ 118,205	$ 69,540
Other Cash Flow Information:			
Cash paid for interest	$ 18,389	$ 14,082	$ 6,554
Cash paid for income taxes	$ 9,450	$ 6,895	$ 4,665

The accompanying notes are an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation **-** The financial statements include the accounts of Bridge Capital Holdings and its subsidiary, Bridge Bank, N.A. ("the Bank") collectively referred to herein as "the Company".

Business - Bridge Bank, N.A. commenced business in Santa Clara, California on May 14, 2001. Its main office is located at 55 Almaden Blvd, San Jose, California, 95113. The Bank conducts commercial and retail banking business, which includes accepting demand, savings and time deposits and making commercial, real estate and consumer loans. It also issues cashier's checks, sells travelers checks and provides other customary banking services.

On October 1, 2004, the Bank announced completion of a bank holding company structure which was approved by shareholders at the Bank's annual shareholders' meeting held on May 20, 2004. The bank holding company, formed as a California corporation, is named Bridge Capital Holdings. Information in this report dated prior to September 30, 2004 is for Bridge Bank, N.A.

Bridge Capital Holdings (the "Company") was formed for the purpose of serving as the holding company for Bridge Bank, N.A. and is supervised by the Board of Governors of the Federal Reserve System. Effective October 1, 2004, Bridge Capital Holdings acquired 100% of the voting shares of Bridge Bank, N.A.. As a result of the transaction, the former shareholders of Bridge Bank, N.A. received one share of common stock of Bridge Capital Holdings for every one share of common stock of Bridge Bank, N.A. owned.

Prior to the share exchange, the common stock of the Bank had been registered with the Office of Comptroller of the Currency. As a result of the share exchange, common stock of Bridge Capital Holdings is now registered with the Securities and Exchange Commission. Filings under the federal securities laws are made with the SEC rather than the Office of the Comptroller of the Currency and are available on the SEC's website, http://www.sec.gov as well as on the Company's website http://www.bridgebank.com.

Basis of Presentation – The accounting and reporting policies of Bridge Capital Holdings and Bridge Bank, N.A. conform to generally accepted accounting principles and prevailing practices within the banking industry.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities as of the dates and for the periods presented. A significant estimate included in the accompanying financial statements is the allowance for loan losses. Actual results could differ from those estimates.

Earnings Per Share - Basic net income per share is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined using the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options. Common stock equivalents are included in the diluted net income per share calculation to the extent these shares are dilutive. See Note 2 to the financial statements for additional information on earnings per share.

Cash Equivalents – For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, Federal Funds sold and highly liquid debt instruments purchased with an original maturity of three months or less. The Company is required to maintain non-interest earning cash reserves against certain of the deposit accounts. As of December 31, 2007, aggregate reserves (in the form of deposits with the Federal Reserve Bank) of $206,000 were maintained.

Securities - The Company classifies its investment securities into two categories, available for sale and held to maturity, at the time of purchase. Securities available for sale are reported at fair value with net unrealized holding gains or losses, net of tax, recorded as a separate component of shareholders' equity. Securities held to maturity are measured at amortized cost based on the Company's positive intent and ability to hold the securities to maturity. As of December 31, 2007 and 2006, all of the Company's securities were classified as available for sale.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the effective interest method. Dividend and interest income is recognized when earned. Gains and losses on sales of securities are computed on a specific identification basis.

Loans - Loans are stated at the principal amount outstanding less the allowance for credit losses and net deferred loan fees. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status and any accrued and unpaid interest is reversed when the payment of principal or interest is 90 days past due unless the loan is both well secured and in the process of collection. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to both principal and interest.

Loan origination fees and costs are deferred and amortized to income at the instrument level using the effective interest method based on the contractual lives adjusted for prepayments.

Loans Held For Sale - Small Business Administration ("SBA") loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized gains are recognized through a valuation allowance by credits to income. Gains or losses realized on the sales of loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold, adjusted for any servicing asset or liability. Gains and losses on sales of loans are included in non-interest income.

The Comapny has adopted Statement of Financial Accounting Standard ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". The Statement provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. Under this Statement, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished.

Servicing Rights - Servicing rights are recognized separately when they are acquired through sale of loans. For sales of SBA loans prior to January 1, 2007, a portion of the cost of the loan was allocated to the servicing right based on relative fair values. The Company adopted SFAS No. 156, Accounting for Servicing of Financial Assets, on January 1, 2007, for sales of SBA loans beginning in 2007. Servicing rights are initially recorded at fair value with the income statement effect recorded in gain on sale of loans. Fair value is based on a valuation model that calculates the present value of estimated future cash flows from the servicing assets. The valuation model uses assumptions that market participants would use in estimating cash flows from servicing assets, such as the cost to service, discount rates and prepayment speeds. The Company compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. For purposes of measuring impairment, the Company has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of the asset. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and changes in the discount rates.

Servicing fee income which is reported on the income statement as servicing income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and recorded as income when earned. The amortization of servicing rights and changes in the valuation allowance are netted against loan servicing income.

Allowance for Credit Losses - The allowance for credit losses is established through a provision charged to expense. Loans are charged off against the allowance when management believes that the collection of principal is unlikely. The allowance is an amount that management believes will be adequate to absorb known and probable losses in the loan portfolio. The allowance is based on a number of factors including prevailing economic trends, industry experience, estimated collateral values, management's assessment of credit risk inherent in the portfolio, delinquency trends, historical loss experience, specific problem loans and other relevant factors. Because the allowance for loan losses is based on estimates, ultimate losses may vary from current estimates.

Accounting for Impaired Loans - A loan is considered impaired when it is probable that interest and principal will not be collected according to the contractual terms of the loan agreement. Any allowance on impaired loans is generally based on three methods. 1) present value of expected future cash flows discounted at the loan's effective interest rate or, 2) as a practical expedient, at the loan's observable market price or 3) the fair value of the collateral if the loan is collateral dependent. Income recognition on impaired loans is consistent with the policy for income recognition on non-accrual loans described above.

Premises and Equipment - Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, which are generally three years for computer equipment, three to five years for furniture, fixtures and equipment and five to ten years for leasehold improvements.

Other Real Estate Owned - Other real estate owned ("OREO") consist of properties acquired through foreclosure. The Company values these properties at fair value less estimated costs to sell at the time it acquires them, which establishes the new cost basis. The Company charges against the allowance for credit losses any losses arising at the time of acquisition of such properties. After it acquires them, the Company carries such properties at the lower of cost or fair value less estimated selling costs. If the Company records any write-downs or losses from disposition of such properties after acquiring them, it includes this amount in other non-interest expense. Development and improvement costs relating to OREO are capitalized (assuming they are recoverable). At December 31, 2007 there was one commercial property valued at $425,000 that was categorized as "other real estate owned". At December 31, 2006 there were no properties owned by the Bank acquired through the foreclosure process.

Income Taxes - Deferred tax assets and liabilities are recognized at currently enacted rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized and settled. Deferred income taxes are provided on income and expense items recognized in different periods for financial statement and tax reporting purposes.

On January 1, 2007, the Bank adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The provisions of FIN 48 have been applied to all tax positions of the Bank as of January 1, 2007. Only tax positions that met the more-likely-than-not recognition threshold on January 1, 2007 were recognized or continue to be recognized upon adoption. The Bank previously recognized income tax positions based on management's estimate of whether it was reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, Accounting for Contingencies. The adoption of FIN 48 did not have a material impact on the Bank's financial position, results of operations or cash flows. The adoption of FIN 48 made no impact on the balance of retained earnings as of January 1, 2007.

Interest expense associated with unrecognized tax benefits is classified as income tax expense in the statement of income. Penalties associated with unrecognized tax benefits are classified as income tax expense in the statement of income.

Stock-Based Compensation - On January 1, 2006, the Company implemented SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payments, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006, the first day of the Company's fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123. The Company has recorded an incremental $1.2 million ($993,000 net of tax) of stock-based compensation expense during 2007 as a result of the adoption of SFAS No. 123R. The impact of implementing SFAS No. 123R reduced basic earnings per share by $0.16 and diluted earnings per share by $0.10 for the year ended December 31, 2007 and reduced basic earnings per share by $0.11 and diluted earnings per share by $0.06 for the year ended December 31, 2006.

No stock-based compensation costs were capitalized as part of the cost of an asset as of December 31, 2007. As of December 31, 2007, $4.1 million of total unrecognized compensation cost related to stock options and restricted stock units are expected to be recognized over a weighted-average period of 5 years. The total fair value of shares vested during the years ended December 31, 2007, 2006, and 2005 was $925,000, $587,000, and $429,000, respectively.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

The following table illustrates the effect on net income after taxes and net income per common share as if the Company had applied the fair value recognition provisions of SFAS No. 123R to stock-based compensation during 2005 (in thousands, except per share amounts):

(dollars in thousands, except share data)		Year ended December 31, 2005
Net income	$	5,725
Stock based employee compensation, net of tax, that would have been included in the determination of net income if the fair value method had been applied to all awards		(317)
Pro forma net income	$	5,408
Basic earnings per share:		
As reported	$	0.93
Pro forma	$	0.88
Diluted earnings per share:		
As reported	$	0.85
Pro forma	$	0.80

Recent Accounting Announcements - In February 2006, the Financial Accounting standards Board released SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments". SFAS No. 155 is an amendment of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". SFAS No. 155 establishes, amount other items, the accounting for certain derivative instruments embedded within other types of financial instruments; and eliminates a restriction on the passive derivative instruments that a qualifying special-purpose entity may hold. Effective for the Company for January 1, 2007, SFAS No. 155 did not have any impact on our financial position, results of operations or cash flows.

In March 2006, the Financial Accounting standards Board released SFAS No. 156, "Accounting for Servicing of Financial Assets", an amendment of SFAS Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". SFAS No. 156 amends SFAS No. 140 to require that all separately recognized servicing assets and liabilities in accordance with SFAS No. 140 be initially measured at fair value, if practicable. Furthermore, this standard permits, but does not require fair value measurement for separately recognized servicing assets and liabilities in subsequent reporting periods. SFAS No. 156 is also effective for the Company beginning January 1, 2007; however, the adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, “Fair Value Measurement”, a standard that provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors’ requests for expanded information about the extent to which a company measures assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity’s own data. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. We will adopt SFAS No. 157 on January 1, 2008, and we do not expect the adoption of SFAS No. 157 to have a material impact on our financial condition or operating results.

In February 2007, the Financial Accounting Standards Board issued SFAS No. 159, “ The Fair Value Option for Financial Assets and Liabilities” - Including an amendment of FASB No. 115. This Standard permits, but does not require, entities to chose to measure many financial instruments and certain other itmes at fair value. The Statement is expected to expand the use of fair value measurement, which is consistent with the Board’s long-term measurement objectives for accounting for financial instruments. The Statement is effective for fiscal years beginning after November 15, 2007. We do not plan to adopt any of the fair value measurement options afforded by this Statement.

Reclassifications - Certain reclassifications were made to prior years’ presentations to conform to the current year. These reclassifications had no effect on net income or earnings per share.

Comprehensive Income - SFAS No. 130, “Reporting Comprehensive Income” requires that all items recognized under accounting standards as components of comprehensive earnings be reported in an annual financial statement that is displayed with the same prominence as other annual financial statements. This Statement also requires that an entity classify items of other comprehensive earnings by their nature in an annual financial statement. Other comprehensive earnings include the SFAS No. 158 adjustment to fully recognize the liability associated with the supplemental executive retirement plan, unrealized gains and losses, net of tax, on cash flow hedges, and unrealized gains and losses, net of tax, on marketable securities classified as available-for-sale. The Company had an accumulated other comprehensive gain totaling $2.0 million, net of tax, at December 31, 2007, and accumulated other comprehensive losses of ($876,000), net of tax, at December 31, 2006 and ($102,000), net of tax, at December 31, 2005.

(dollars in thousands)	Year ended December 31,		
	2007	2006	2005
Net income	$ 10,866	$ 8,634	$ 5,725
Other comprehensive earnings-Net unrealized gains (losses) on FAS 158 adjustment-supplemental executive retirement plan	44	(711)	
Net unrealized gains (losses) on cash flow hedges	2,270	(114)	
Net unrealized gains (losses) on securities available for sale	540	51	17
Total comprehensive income	$ 13,720	$ 7,860	$ 5,742

Segments of an Enterprise and Related Information – SFAS No. 131, “Disclosure about Segments of an Enterprise and Related Information”, requires certain information about the operating segments of the Company. The objective of requiring disclosures about segments of an enterprise and related information is to provide information about the different types of business activities in which an enterprise engages and the different economic environment in which it operates to help users of financial statements better understand its performance, better assess its prospects for future cash flows and make more informed judgments about the enterprise as a whole. The Company has determined that it has one segment, general commercial banking, and therefore it is appropriate to aggregate the Company’s operations into a single operating segment.

Derivative Instruments and Hedging Activities – SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction.

The Company's objective in using derivatives is to add stability to interest income and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps as part of its cash flow hedging strategy. Interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. During 2007 and 2006, this derivative was used to hedge the variable cash flows associated with $100.0 million and $50.0 million, respectively, of existing variable-rate assets.

As of December 31, 2007 and 2006, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

At December 31, 2007, derivatives with a fair value of $3.7 million were included in other assets. The change in net unrealized losses of $3.8 million (net of deferred income tax provision of $1.5 million) in 2007 for derivatives designated as cash flow hedges is separately disclosed in the statement of changes in comprehensive income. No hedge ineffectiveness on cash flow hedges was recognized during 2007. At December 31, 2006, derivatives with a fair value of $183,000 were included in other liabilities. The change in net unrealized losses of $183,000 (net of income tax benefit of $69,000) in 2006 for derivatives designated as cash flow hedges is separately disclosed in the statement of changes in comprehensive income. No hedge ineffectiveness on cash flow hedges was recognized during 2006.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income as interest payments are received on the Company's variable-rate assets. The change in net unrealized gains on cash flow hedges reflects a reclassification of $204,000 of net unrealized gains from accumulated other comprehensive income to interest income during 2007. During 2008, the Company estimates that $1.1 million will be reclassified.

2. EARNINGS PER SHARE

Basic net earnings per share is computed by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net earnings per share is determined using the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options. Common stock equivalents are included in the diluted net earnings per share calculation to the extent these shares are dilutive. A reconciliation of the numerator and denominator used in the calculation of basic and diluted net earnings per share available to common shareholders is as follows (in thousands, except for per share amounts):

(dollars in thousands, except share data)	Year ended December 31,		
	2007	2006	2005
Net income	$ 10,866	$ 8,634	$ 5,725
Weighted average shares used in computing:			
Basic common shares	6,380,100	6,274,051	6,164,898
Dilutive potential common shares related to stock options and restricted stock, using the treasury stock method	545,762	542,649	566,049
Total average common shares and equivalents	6,925,862	6,816,700	6,730,947
Basic earnings per share	$ 1.70	$ 1.38	$ 0.93
Diluted earnings per share	$ 1.57	$ 1.27	$ 0.85

There were 429,295 options (including those issuable pursuant to contingent stock agreements) that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the period(s) presented.

3. SECURITIES

The amortized cost and estimated fair values of securities are as follows:

(dollars in thousands)	As of December 31, 2007			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
U.S. government treasury securities	$ 201	$ 1	$ -	$ 202
U.S. government agency securities	54,450	831	(1)	55,280
Total seurities available for sale	54,651	832	(1)	55,482
Total investment securities	$ 54,651	$ 832	$ (1)	$ 55,482

	As of December 31, 2006			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
U.S. government treasury securities	$ 200	$ -	$ -	$ 200
U.S. government agency securities	43,815	24	(106)	43,733
Total seurities available for sale	44,015	24	(106)	43,933
Total investment securities	$ 44,015	$ 24	$ (106)	$ 43,933

As of December 31, 2007, investment securities with carrying values of approximately $200,000 were pledged as collateral. As of December 31, 2007, there were no unrealized losses attributable to securities positioned for the period greater than 12 months.

The scheduled maturities of securities (other than equity securities) available for sale at December 31, 2007 were as follows:

(dollars in thousands)	December 31, 2007	
	Amortized Cost	Fair Value
Due in one year or less	$ 24,143	$ 24,200
Due after one year through five years	30,508	31,282
Due after five years through ten years	-	-
Due after ten years	-	-
Total securities available for sale	54,651	55,482
Total Investment securities	$ 54,651	$ 55,482

4. LOANS AND ALLOWANCES FOR CREDIT LOSSES

The following summarizes loans and activity in the allowance for loan losses for the years ended December 31, 2007, 2006 and 2005.

A summary of loans is as follows:

(dollars in thousands)	As of December 31,		
	2007	2006	2005
Commercial	$ 272,660	$ 197,174	$ 182,396
SBA	56,945	59,888	46,867
Real estate construction	85,378	103,710	84,792
Real estate other	171,042	115,313	83,748
Factoring and asset based lending	57,662	56,924	38,184
Other	9,042	7,771	4,011
Total gross loans	652,729	540,780	439,998
Unearned fee income	(1,856)	(1,495)	(1,395)
Total loan portfolio	650,873	539,285	438,603
Less allowance for credit losses	(8,608)	(7,329)	(5,936)
Total loan portfolio, net	$ 642,265	$ 531,956	$ 432,667

Analysis of the allowance for credit losses:

(dollars in thousands)	As of December 31,		
	2007	2006	2005
Balance, beginning of period	$ 7,329	$ 5,936	$ 4,146
Provision for credit losses	2,275	1,372	2,162
Charge-offs	(1,255)	-	(384)
Recoveries	259	21	12
Balance, end of period	$ 8,608	$ 7,329	$ 5,936

There were four loans, totaling $4.9 million, on non-accrual and deemed impaired at December 31, 2007. There were two impaired loans on non-accrual at December 31, 2006 totaling $437,000, and one impaired loan on non-accrual loan at December 31, 2005 totaling $2.3 million. Included in the non-accrual loans at December 31, 2007 was one loan totaling $3.7 million which was collateralized by undeveloped land. This loan had an indicated potential loss exposure of approximately $330,000 and an impairment reserve was included in the allowance for loan losses. The other significant non-accrual loan was an SBA 504 loan that totaled $713,000 and was adequately collateralized by undeveloped land. As such, no specific reserve was required for this loan. At December 31, 2006, the two non-accrual loans consisted of commercial loans secured by business assets and real property with values in excess of the carrying value of the loans. At December 31, 2005, the non-accrual loans consisted of one commercial loan secured by business assets and real property with values in excess of the carrying value of the loan.

Income on such loans is only recognized to the extent that cash is received and where the future collection of principal is probable. Accrual of interest is resumed only when principal and interest are brought fully current and when such loans are considered to be collectible as to both principal and interest.

At December 31, 2007, 2006, and 2005, there were no loans past due 90 days or more as to principal or interest and still accruing interest.

At December 31, 2007 there was one commercial property valued at $425,000 that was categorized as “other real estate owned”. At December 31, 2006 and 2005 there were no properties owned by the Bank acquired through the foreclosure process.

5. PREMISES AND EQUIPMENT

Premises and equipment are comprised of the following:

(dollars in thousands)	As of December 31, 2007	2006	2005
Leasehold improvements	$ 4,855	$ 3,374	$ 1,981
Furniture and equipment	2,825	2,047	1,752
Capitalized software	2,285	1,691	1,344
Premises and equipment	9,965	7,112	5,077
Less accumulated depreciation and amortization	(4,960)	(3,633)	(2,740)
Premises and equipment, net	$ 5,005	$ 3,479	$ 2,337

Depreciation and amortization amounted to $1.3 million, $943,000 and $813,000 for the years ended December 31, 2007, 2006 and 2005, respectively, and have been included in occupancy and/or furniture and equipment expense, depending on the nature of the expense, in the accompanying statements of operations.

6. DEPOSITS

The Bank’s deposit base consists of non-interest and interest-bearing demand deposits, savings and money market accounts and certificates of deposit. The following table summarizes the composition of deposits as of December 31, 2007, 2006 and 2005.

(dollars in thousands)	As of December 31, 2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent
Noninterest-bearing demand	$ 198,641	29.59%	$ 198,639	30.80%	$ 185,557	39.64%
Interest-bearing demand	5,350	0.80%	3,901	0.60%	2,866	0.61%
Money market and savings	372,923	55.55%	333,838	51.76%	210,011	44.86%
Certificates of deposit:						
Less than $100	22,896	3.41%	28,918	4.48%	19,228	4.11%
$100 and more	71,546	10.66%	79,691	12.36%	50,496	10.79%
Total deposit portfolio	$ 671,356	100.00%	$ 644,987	100.00%	$ 468,158	100.00%

Deposits at December 31, 2007 included $10.7 million, or 1.6% of the total, in title and escrow company account balances compared to $27.3 million, or 4.2% at December 31, 2006 and $70.6 million, or 15.1% at December 31, 2005.

At December 31, 2007, time deposits of $100,000 or more have remaining maturities as follows:

(in thousands)

3 months or less	$	40,101
Over 3 months to 6 months		7,224
Over 6 months to 12 months		15,364
Over 1 year to 5 years		8,857
TOTAL	$	71,546

At December 31, 2007, the scheduled maturities of all time deposits are as follows:

(dollars in thousands)

2008	$	81,336
2009		12,247
2010		859
2011		-
	$	94,442

7. JUNIOR SUBORDINATED DEBT SECURITIES AND OTHER BORROWINGS

Junior Subordinated Debt Securities

On December 21, 2004, the Company issued $12,372,000 of junior subordinated debt securities (the "debt securities") to Bridge Capital Trust I, a statutory trust created under the laws of the State of California. These debt securities are subordinated to effectively all borrowings of the Company and are due and payable in March 2035. Interest is payable quarterly on these debt securities at a fixed rate of 5.9% for the first five years, and thereafter interest accrues at LIBOR plus 1.98%. The debt securities can be redeemed at par at the Company's option beginning in March 2010; they can also be redeemed at par if certain events occur that impact the tax treatment or the capital treatment of the issuance.

The Company also purchased a 3% minority interest in the Trust. The balance of the equity of the Trust is comprised of mandatorily redeemable preferred securities.

On March 30, 2006 the Company issued $5,155,000 of junior subordinated debt securities (the "debt securities") to Bridge Capital Trust II, a statutory trust created under the laws of the State of Delaware. These debt securities are subordinated to effectively all borrowings of the Company and are due and payable in March 2037. Interest is payable quarterly on these debt securities at a fixed rate of 6.60% for the first five years, and thereafter interest accrues at LIBOR plus 1.38%. The debt securities can be redeemed at par at the Company's option beginning in April 2011; they can also be redeemed at par if certain events occur that impact the tax treatment or the capital treatment of the issuance.

The Company also purchased a 3% minority interest in the Trust. The balance of the equity of the Trust is comprised of mandatorily redeemable preferred securities.

Under FASB Interpretation No.46 (FIN 46), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51, these Trusts are not consolidated into the company's financial statements. Prior to the issuance of FIN 46, bank holding companies typically consolidated these entities. The Federal Reserve Board has ruled that subordinated notes payable to unconsolidated special purpose entities ("SPE's") such as these Trusts, net of the bank holding company's investment in the SPE, qualify as Tier 1 Capital, subject to certain limits.

Other Borrowings

Other borrowings at December 31, 2007 were comprised of one advance from the Federal Home Loan Bank of San Francisco for $10,000,000 with a fixed rate of 3.30% and a maturity date of January 2, 2008. The advance was secured by a blanket lien totaling approximately $134.0 million. There were no other borrowings at December 31, 2006.

As of December 31, 2007, the Bank had a total borrowing capacity of approximately $131.0 million. The Bank also has unsecured borrowing lines with correspondent banks totaling $27.0 million. At December 31, 2007, there were no balances outstanding on these lines.

8. INCOME TAXES

Income tax expense (benefit) consists of the following for the years ended December 31, 2007, 2006 and 2005:

(dollars in thousands)	Year ended December 31,		
	2007	2006	2005
Current:			
Federal	$ 7,357	$ 5,058	$ 4,081
State	2,080	1,525	1,057
Total current	9,437	6,583	5,138
Deferred:			
Federal	(1,458)	(982)	(1,006)
State	(396)	(358)	(300)
Total deferred	(1,854)	(1,340)	(1,306)
Income tax provision	$ 7,583	$ 5,243	$ 3,832

Deferred income taxes reflect the net tax effect of temporary differences between carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. The tax effects of temporary differences that gave rise to significant portions of deferred tax assets at December 31, 2007, 2006 and 2005 are as follows:

The company's net deferred tax asset at December 31 is as follows:

(dollars in thousands)	As of ended December 31,		
	2007	2006	2005
Deferred tax assets (liability):			
Deferred loan fee	$ 650	$ 523	$ 488
Allowance for credit losses	2,788	2,276	1,756
Deferred pre-opening expenses	10	15	29
State income taxes	1,775	1,343	957
Fixed assets	300	115	(27)
Other	602	(3)	292
Accrued expenses	655	656	91
Net Deferred Tax Asset	$ 6,780	$ 4,925	$ 3,586

In addition to the above net deferred tax asset, the Company has additional deferred tax liabilities arising from adjustments to other comprehensive income aggregating $1.4 million as of December 31, 2007 and $575,000 as of December 31, 2006.

Income tax returns for the years ended December 31, 2006, 2005 and 2004 are open to audit by the federal authorities and income tax returns for the years ended December 31, 2006, 2005, 2004 and 2003 are open to audit by California authorities. Unrecognized tax benefits are not expected to significantly increase or decrease within the next twelve months.

The effective tax rate differs from the federal statutory rate as follows:

	Year ended December 31,		
	2007	2006	2005
Federal statutory rate	35.00%	35.00%	35.00%
State income tax, net of federal effect	5.93%	5.47%	5.15%
BOLI income	-0.76%	-0.81%	-1.38%
Other, net	0.93%	-1.88%	1.33%
Income taxes	41.10%	37.78%	40.10%

9. STOCK BASED COMPENSATION

On May 18, 2006, the Company's shareholders approved the 2006 Equity Incentive Plan (the "Plan") which supersedes the Stock Option Plan that was established in 2001. The total authorized shares that are available for issuance under the Plan is 500,000 shares. The Plan provides for the following types of stock-based awards: incentive stock options; nonqualified stock options; stock appreciation rights; restricted stock awards; restricted stock units; performance units; and stock grants. As of December 31, 2007, the Company has issued incentive stock options, nonqualified stock options, and restricted stock awards under the Plan.

Options issued under the Plan may be granted to employees and non-employee directors and may be either incentive or nonqualified stock options as defined under current tax laws. The exercise price of each option must equal the market price of the Company's stock on the date of the grant. The term of the option may not exceed 10 years and generally vests over a 4 year period.

Restricted stock awards issued under the Plan may be granted to employees and non-employee directors. The grant price of each award generally equals the market price of the Company's stock on the date of the grant. The awards generally vest after a 5 year period. During the period of restriction, participants holding restricted stock awards have full voting and dividend rights on the shares.

The vesting of any award granted under the plan may be accelerated in the event of a merger or sale of the Company if the acquiring entity does not assume or replace the awards with comparable awards.

At the time the 2006 Equity Incentive Plan was adopted, the total authorized shares available for issuance under the 2001 Stock Option Plan was 1,813,225 shares and the number of shares available for future grant was 253,577 shares. As the 2006 Equity Incentive Plan supersedes the 2001 Stock Option Plan, no further grants may be made under the 2001 plan and as such, the 253,577 shares that were available for future grant under the 2001 plan may no longer be awarded.

As of December 31, 2007, there were 1,565,763 shares underlying outstanding awards under the Company's stock-based compensation plans and 265,192 shares available for future grants under the 2006 Equity Incentive Plan.

A summary of the Company's stock option awards as of December 31, 2007 and changes during the period ended on that date are presented below:

	Stock Option Awards Outstanding	
	Number of Shares	Weighted Average Exercise Price
Balances, December 31, 2006	1,450,598	$ 10.48
Granted	183,285	$ 22.21
Exercised (aggregate intrinsic value of $1.5 million)	(107,575)	$ 7.94
Cancelled	(38,063)	$ 18.25
Expired	(437)	$ 16.26
Balances, December 31, 2007	1,487,808	$ 11.91

The following table summarizes information about stock options outstanding at December 31, 2007.

	Stock Option Awards Outstanding			Stock Option Awards Exercisable		
Exercise Price range	Shares	Weighted Remaining Life (Years)	Weighted Exercise Price	Shares	Weighted Remaining Life (Years)	Weighted Exercise Price
$ 5.00 - $ 5.99	540,525	3.2	$ 5.00	540,525	3.2	$ 5.00
$ 6.00 - $ 12.99	315,013	5.2	$ 8.74	288,123	5.1	$ 8.36
$ 13.00 - $ 15.99	187,475	7.3	$ 14.84	97,700	7.3	$ 14.84
$ 16.00 - $ 20.99	137,975	8.3	$ 19.20	39,205	8.2	$ 19.00
$ 21.00 - $ 22.99	306,820	9.3	$ 22.28	32,302	8.8	$ 22.38
	1,487,808	5.9	$ 11.91	997,855	4.5	$ 8.05

The aggregate intrinsic value of stock option awards outstanding and stock option awards exercisable at December 31, 2007 was $14.5 million and $13.4 million, respectively.

A summary of the Company's non-vested shares of restricted stock awards as of December 31, 2007 and changes during the period ended on that dates is presented below:

	Non-Vested Restricted Stock Awards	
	Number of Shares	Weighted Average Grant Date Fair Value
Balances, December 31, 2006	31,130	$ 22.42
Granted	34,765	$ 22.11
Vested	-	$ -
Forfeited	4,190	$ 22.49
Balances, December 31, 2007	61,705	$ 22.24

SFAS No. 123R requires the use of a valuation model to calculate the fair value of stock-based awards. The Company has elected to use the BSM option-pricing model, which incorporates various assumptions including volatility, expected life, and interest rates. The expected volatility is based on the historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options, adjusted for the impact of unusual fluctuations not reasonably expected to recur and other relevant factors including implied volatility in market traded options on the Company's common stock. The expected life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees.

The weighted average assumptions used for 2007, 2006, and 2005 and the resulting estimates of weighted-average fair value per share of stock-based awards granted during those periods are as follows:

	Year ended December 31,		
	2007	2006	2005
Expected life	60 months	60 months	58 months
Stock volatility	28.4%	32.9%	24.8%
Risk free interest rate	4.2%	4.7%	3.7%
Dividend yield	0.00%	0.00%	0.00%
Fair value per share	$ 9.73	$ 9.36	$ 6.10

10. PENSION BENEFIT PLANS

Effective August 1, 2004, the Bank established the Supplemental Executive Retirement Plan (SERP), an unfunded noncontributory defined benefit pension plan. The SERP provides retirement benefits to a select group of key executives and senior officers based on years of service and final average salary. The Bank uses a December 31 measurement date for this plan.

The following table reflects the accumulated benefit obligation and funded status of the SERP for the years ended December 31, 2007, 2006 and 2005.

(dollars in thousands)	Year ended December 31,		
	2007	2006	2005
Change in benefit obligation			
Benefit obligation at beginning of year	$ 2,351	$ 1,680	$ 1,213
Service cost	345	387	311
Interest cost	133	117	92
Amendments	-	-	-
Actuarial (gains)/losses	68	167	64
Acquisitions/(divestitures)	-	-	-
Expected benefits paid	-	-	-
Projected benefit obligation at end of year	$ 2,897	$ 2,351	$ 1,680
Change in plan assets			
Fair value of plan assets at beginning of year	$ -	$ -	$ -
Actual return on plan assets	-	-	-
Acquisitions/(divestitures)	-	-	-
Employer contributions	-	-	-
Expected benefits paid	-	-	-
Fair value of plan assets at end of year	$ -	$ -	$ -
Funded status	$ (2,897)	$ (2,351)	$ (1,680)
Unrecognized net actuarial (gain) loss	-	230	64
Unrecognized prior service cost	-	852	922
Unrecognized net transition obligation (asset)	-	-	-
(Accrued)/prepaid benefit cost	$ (2,897)	$ (1,269)	$ (694)
Unfunded projected/accumulated benefit obligation	$ (2,897)	$ (2,351)	$ (925)
Additional liability	$ -	$ (1,082)	$ (231)
Intangible asset	$ -	$ -	$ 231
Impact on retained earnings	$ (2,897)	$ (2,351)	$ (925)
Weighted average assumptions to determine benefit obligation as of December 31:			
Discount rate	5.75%	5.75%	5.70%
Rate of compensation increase	5.00%	5.00%	5.00%

The components of net periodic benefit cost recognized for the years ended December 31, 2007 and 2006 and the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost during the year ended December 31, 2008 are as follows:

(dollars in thousands)	Year ended December 31,		
	2008	2007	2006
Components of net periodic benefit cost			
Service cost	$ 589	$ 345	$ 387
Interest cost	167	133	117
Expected return on plan assets	-	-	-
Amortization of transition obligation (asset)	-	-	-
Amortization of prior service cost	88	143	70
Amortization of actuarial (gains)/losses	-	-	-
Net periodic benefit cost	$ 844	$ 621	$ 574

Other comprehensive income (cost)	$ 95	$ 70	$ (1,185)

11. RELATED PARTY TRANSACTIONS

There are no existing or proposed material interests or transactions between the Bank and/or any of its officers or directors outside the ordinary course of the Bank's business.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Lease Commitments

The Bank's Santa Clara, San Jose and Palo Alto locations are leased under non-cancelable operating leases that expire in 2010, 2016 and 2014, respectively. The Bank has renewal options with adjustments to the lease payments based on changes in the consumer price index.

Future minimum annual lease payments are as follows (dollars in thousands):

Future lease payments For years ended December 31,		
2008	$	1,826
2009		1,851
2010		1,852
2011		1,656
2012		1,695
Thereafter		6,174
	$	15,054

Rental expense under operating leases was $2.1 million in 2007, $1.3 million in 2006 and $1.1 million in 2005.

Other Commitments

In the normal course of business, there are outstanding commitments to extend credit, which are not reflected in the consolidated financial statements. These commitments involve, to varying degrees, credit risk in excess of the amount recognized as either an asset or a liability in the balance sheet. The Bank controls the credit risk through its credit approval process. The same credit policies are used when entering into such commitments.

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loan commitments of $299.8 million, $267.6 million and $188.1 million at December 31, 2007, 2006 and 2005, respectively. The Bank's exposure to credit loss is limited to amounts funded or drawn; however, at December 31, 2007, no losses are anticipated as a result of these commitments.

Loan commitments are typically contingent upon the borrowers meeting certain financial and other covenants and such commitments typically have fixed expiration dates and require payment of a fee. As many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. The Bank evaluates each potential borrower and the necessary collateral on an individual basis. Collateral varies, and may include real property, bank deposits, or business or personal assets.

Undisbursed loan commitments were comprised of the following at December 31, 2007 (dollars in thousands):

Commercial	$	185,563
SBA		5,282
Real estate construction		64,668
Real estate term		27,000
Factoring/ABL		2,458
Other		14,867
Total	$	299,838

13. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The following estimated fair value amounts have been determined by using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation techniques may have a material effect on the estimated fair value amounts.

The following table presents the carrying amount and estimated fair value of certain assets and liabilities of the Company at December 31, 2007, 2006 and 2005. The carrying amounts reported in the balance sheets approximate fair value for the following financial instruments: cash and due from banks, federal funds sold, interest-bearing deposits in other banks, demand and savings deposits (see Note 3 for information regarding securities).

(dollars in thousands)	Year ended December 31,			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and due from banks	$ 27,440	$ 27,440	$ 24,360	$ 24,360
Federal funds sold	13,395	13,395	93,845	93,845
Investments securities	55,482	55,482	43,933	43,933
Loans and leases, gross	652,729	662,314	540,780	547,193
Bank owned life insurance	9,179	9,179	8,777	8,777
Cash flow hedge	3,660	3,660	(183)	(183)
Financial liabilities:				
Deposits	671,356	666,329	644,987	639,784
Trust preferred securities	17,527	17,610	17,527	17,621
Other borrowings	10,000	10,000	-	-

Loans

The fair value of loans with fixed rates is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings. For loans with variable rates that adjust with changes in market rates of interest, the carrying amount is a reasonable estimate of fair value.

Time deposits

The fair value of fixed maturity certificates of deposit is estimated using rates currently offered for deposits of similar remaining maturities.

Commitments to extend credit and standby letters of credit

Commitments to extend credit and standby letters of credit are issued in the normal course of business by the Bank. Commitments to extend credit are issued with variable interest rates tied to market interest rates at the time the commitments are funded and the amount of the commitments equals their fair value. Standby letters of credit are supported by commitments to extend credit with variable interest rates tied to market interest rates at the time the commitments are funded.

14. BRIDGE CAPITAL HOLDINGS

The following are the financial statements of Bridge Capital Holdings (parent company only):

BALANCE SHEETS

(dollars in thousands)	As of December 31, 2007	As of December 31, 2006
Assets:		
Cash and due from banks	$ 2,134	$ 2,790
Investment in bank & subsidiaries	79,740	63,435
Other assets	744	432
Total Assets	$ 82,618	$ 66,657
Liabilities:		
Junior Subordinated Debt	$ 17,527	$ 17,527
Other liabilities	7	36
Total Liabilities	17,534	17,563
Capital:		
Common stock	37,697	35,428
Retained earnings	14,543	5,908
Current year net income	10,866	8,634
Other Comprehensive income	1,978	(876)
Total Capital	65,084	49,094
Total Liabilities and Capital	$ 82,618	$ 66,657

STATEMENTS OF OPERATIONS

(dollars in thousands)	Year ended December 31, 2007	2006	2005
Interest income	$ 78	$ 87	$ 31
Interest expense	1,044	960	704
Noninterest expense	466	200	174
Income before income taxes	(1,432)	(1,073)	(847)
Income taxes	-	432	-
Income before undistributed income of the bank	(1,432)	(641)	(847)
Equity in undistributed income of the bank	12,298	9,275	6,572
Net income	$ 10,866	$ 8,634	$ 5,725

STATEMENTS OF CASH FLOWS

(dollars in thousands)	Year ended December 31,		
	2007	2006	2005
Cash Flow From Operating Activities:			
Net income (loss)	$ 10,866	$ 8,634	$ 5,725
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (earnings) of subsidiaries	(12,298)	(9,275)	(6,572)
Net change in other assets	4	(161)	(9)
Net change in other liabilities	(29)	(6)	10
Net cash (used in) provided by operating activities	(1,457)	(808)	(846)
Cash Flow From Investing Activities:			
Investment in subsidiary	-	(4,155)	
Net cash provided by financing activities	-	(4,155)	-
Cash Flow From Financing Activities:			
Proceeds from sale of Common stock	801	619	730
Proceeds from issuance of junior subordinated debentures	-	5,155	
Net cash provided by financing activities	801	5,774	730
Net increase (decrease) in cash and equivalents	(656)	811	(116)
Cash and equivalents at beginning of period	2,790	(656)	2,095
Cash and equivalents at end of period	$ 2,134	$ 155	$ 1,979
Non Cash Transactions:			
Tax benefit from exercise of non-qualified stock options	$ 316	$ 141	$ (121)

15. REGULATORY MATTERS

The Bank and the Holding Company are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional, discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also 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 Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined in the regulations), and of Tier I capital (as defined in the regulations) to average assets (as defined in the regulations). Management believes, as of December 31, 2007, that the Company meets all capital adequacy requirements to which they are subject.

The following table shows the Company's capital ratios at December 31, 2007 and 2006 as well as the minimum capital ratios required to be deemed "well capitalized" under the regulatory framework.

(dollars in thousands)

	As of December 31,			
	2007		2006	
	Amount	Ratio	Amount	Ratio
Company Capital Ratios				
Tier 1 Capital	$ 80,024	10.54%	$ 66,533	10.52%
(to Risk Weighted Assets)				
Tier 1 capital minimum requirement	$ 30,376	4.00%	$ 25,293	4.00%
Total Capital	$ 88,632	11.67%	$ 74,229	11.74%
(to Risk Weighted Assets)				
Total capital minimum requirement	$ 60,752	8.00%	$ 50,587	8.00%
Company leverage				
Tier 1 Capital	$ 80,024	10.66%	$ 66,533	10.97%
(to Average Assets)				
Total capital minimum requirement	$ 30,022	4.00%	$ 24,260	4.00%
Bank Risk Based Capital Ratios				
Tier 1 Capital	$ 77,096	10.17%	$ 64,145	10.15%
(to Risk Weighted Assets)				
Tier 1 capital minimum requirement	$ 30,328	4.00%	$ 25,272	4.00%
Total Capital	$ 85,704	11.30%	$ 71,474	11.31%
(to Risk Weighted Assets)				
Total capital minimum requirement	$ 60,655	8.00%	$ 50,544	8.00%
Bank leverage				
Tier 1 Capital	$ 77,096	10.27%	$ 64,145	10.59%
(to Average Assets)				
Total capital minimum requirement	$ 30,018	4.00%	$ 24,240	4.00%

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

There are no current or anticipated changes in, or disagreements with, accountants on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Item 9a. Controls and Procedures

Disclosure Controls and Procedures

As required by SEC rules, the Company's management evaluated the effectiveness, as of December 31, 2007, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2007.

Internal Control over Financial Reporting

Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company;

- 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

- 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. 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. No change occurred during the fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's report on internal control over financial reporting is set forth below, and should be read with these limitations in mind.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on this assessment, management concluded that as of December 31, 2007, the Company's internal control over financial reporting was effective.

Vavrinek, Trine, Day & Co., LLP, the independent registered public accounting firm that audited the Company's financial statements included in the Annual Report, issued an audit report on the Company's internal control over financial reporting as of, and for the year ended December 31, 2007. Vavrinek, Trine, Day & Co., LLP's audit report appears on Page 45.

Item 9b. Other Information

Not applicable

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required hereunder is incorporated by reference from the Company's definitive proxy statement for the Company's 2008 Annual Meeting of Shareholders (to be filed pursuant to Regulation 14A).

Item 11. Executive Compensation

The information required hereunder is incorporated by reference from the Company's definitive proxy statement for the Company's 2008 Annual Meeting of Shareholders (to be filed pursuant to Regulation 14A).

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

The following chart provides information as of December 31, 2007 concerning the Company's equity compensation plans:

	(A) Number of Securities To Be Issued Upon Exercise of Outstanding Options, Restricted Stock, Warrants, and Rights	(B) Weighted Average Grant Price of Outstanding Options, Restricted Stock, Warrants, and Rights	(C) Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)
Equity compensation plans approved by security holders	1,549,513	$ 12.32	268,942
Equity compensation plans not approved by security holders	-	-	-
Total	1,549,513	$ 12.32	268,942

The additional information required hereunder is incorporated by reference from the Company's definitive proxy statement for the Company's 2008 Annual Meeting of Shareholders (to be filed pursuant to Regulation 14A).

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

The information required hereunder is incorporated by reference from the Company's definitive proxy statement for the Company's 2008 Annual Meeting of Shareholders (to be filed pursuant to Regulation 14A).

Item 14. Principal Accounting Fees and Services

The information required hereunder is incorporated by reference from the Company's definitive proxy statement for the Company's 2008 Annual Meeting of Shareholders (to be filed pursuant to Regulation 14A).

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) Financial Statements. This information is included in Part II, Item 8.

(a)(2) Financial Statement Schedules. All schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is included in Consolidated Financial Statements or notes thereto.

(a) (3) Exhibits. The exhibit list required by this item is incorporated by reference to the accompanying Exhibit Index filed as part of this report.

(b) See (a) (3).

(c) See (a) (2).

SIGNATURES

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

BRIDGE CAPITAL HOLDINGS

Date:	March 6, 2008	By:	/s/ Daniel P. Myers
			Daniel P. Myers, President
			(Principal Executive Officer)

Pursuant to the requirements of the Securities 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.

Name	Title	Date
/s/Sheryle Bolton Sheryle Bolton	Director	March 6, 2008
/s/Richard M. Brenner Richard M. Brenner	Director	March 6, 2008
/s/Owen Brown Owen Brown	Director	March 6, 2008
/s/David V. Campbell David V. Campbell	Director	March 6, 2008
/s/Robert P. Gionfriddo Robert P. Gionfriddo	Director	March 6, 2008
/s/Robert B. Kaplan Robert B. Kaplan	Director	March 6, 2008
/s/Allan C. Kramer, M.D. Allan C. Kramer, M.D.	Chairman Director	March 6, 2008
/s/Robert Latta Robert Latta	Director	March 6, 2008
/s/Thomas M. Quigg Thomas M. Quigg	Director	March 6, 2008
/s/Daniel P. Myers Daniel P. Myers	President Chief Executive Officer Director (Principal Executive Officer)	March 6, 2008
/s/Barry A. Turkus Barry A. Turkus	Director	March 6, 2008
/s/Thomas A. Sa Thomas A. Sa	Executive Vice President Chief Administrative Officer Chief Financial Officer (Principal Financial	March 6, 2008

and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
(2.1)	Agreement and Plan of Reorganization among Bridge Capital Holdings and Bridge Bank dated as of October 1, 2004 [incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated 10/1/04]
(3.1)	Articles of Incorporation of the registrant [incorporated by reference to Exhibit 3(i)(a) to the registrant's Current Report on Form 8-K dated 10/1/04]
(3.2)	Amendment to the registrant's Articles of Incorporation dated August 27, 2004 [incorporated by reference to Exhibit 3(i)(b) to the registrant's Current Report on Form 8-K dated 10/1/04]
(3.3)	Registrant's By-Laws [incorporated by reference to Exhibit 3(i)(c) to the registrant's Current Report on Form 8-K dated 10/1/04]
(3.4)	Amendment to Registrant's By-Laws
(4.1)	Indenture dated as of December 21, 2004 between Bridge Capital Holdings and JP Morgan Chase Bank as Trustee [incorporated by reference to Exhibit 4.1 to the registrant's Annual Report on Form 10-K dated 12/31/04]
(4.2)	Amended and Restated Declaration of trust of Bridge Capital Holdings Trust I dated December 21, 2004 Trustee [incorporated by reference to Exhibit 4.2 to the registrant's Annual Report on Form 10-K dated 12/31/04]
(10.1)	Bridge Bank Amended and Restated 2001 Stock Option Plan [Incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K dated 12/31/04]**
(10.2)	Bridge Bank, National Association Supplemental Executive Retirement Plan [Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K dated 12/31/04]**
(10.3)	Sublease for premises at 2120 El Camino Real, Santa Clara, California [Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K dated 12/31/04]
(10.4)	Bridge Capital Holdings 2006 Equity Incentive Plan [Incorporated by reference to Annex A to the Registrant's Proxy Statement dated 04/07/06]
(10.5)	Lease for banking office located at 6601 Koll Center Parkway, City of Pleasanton, County of Alameda, State of California [incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2006]
(10.6)	Lease for banking office located at 525 University Avenue, City of Palo Alto, County of Santa Clara, State of California [Incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K dated 12/31/04]
(10.7)	Lease for banking office located at 3035 Prospect Park Drive, Suite 100, Rancho Cordova, County of Sacramento, State of California [Incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K dated 12/31/04]
(10.8)	Wire Transfer Service Agreement with BankServ, Inc dated 6/25/02 California [Incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K dated 12/31/04]
(10.9)	Performance Incentive Compensation Plan California [Incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K dated 12/31/04]**
(10.10)	Information Technology Services Agreement between Fidelity National Information Services and Bridge Bank, N.A. dated November 17, 2006 and the schedules thereto [incorporated by reference to Exhibit 10 to the Registrant's Current Report on Form 8-K, Amendment No. 1, filed 02/16/07]

(10.11)	Employment Agreements between Bridge Capital Holdings and Daniel P. Myers, Thomas A. Sa, Timothy W. Boothe, Robert P. Gionfriddo, and Kenneth B. Silveira [incorporated by reference to Exhibits 10.1, 10.2, 10.3, 10.4, and 10.5, respectfully, to the Registrant's Current Report on Form 8-K filed 02/16/07]**
(10.12)	Form of Restricted Stock Purchase Award Agreement under the Bridge Capital Holdings 2006 Equity Incentive Plan [incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated 11/16/06]**
(10.13)	Form of Stock Option Award Agreement under the Bridge Capital Holdings 2006 Equity Incentive Plan [incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated 11/16/06]**
(10.14)	Amendment to the Company's 2001 Stock Option Plan to permit the net exercise of nonstatutory options [incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated 11/16/06]**
(10.15)	Lease for Principal Executive Office and full service banking office located at 55 Almaden Boulevard, Suite 200, City of San Jose, County of Santa Clara, State of California [incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K dated 12/31/03]
(10.16)	Lease for additional space (fourth floor) at the Principal Executive Office located at 55 Almaden Boulevard, Suite 200, City of San Jose, County of Santa Clara, State of California [incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K dated 12/31/06]
(10.17)	Amendment to lease for banking office located at 525 University Avenue, City of Palo Alto, County of Santa Clara, State of California
(21)	Subsidiaries
(23.1)	Consent of Independent Registered Public Accounting Firm - Vavrinek, Trine, Day & Co., LLP
(31.1)	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
(32.2)	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

**Management contract or compensatory plan or arrangement

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Section 2: EX-3.4

BY-LAWS

OF

BRIDGE CAPITAL HOLDINGS

(a California corporation)

(as amended through December 20, 2007)

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BY-LAWS

OF

BRIDGE CAPITAL HOLDINGS

(a California corporation)

Section 1. OFFICES

1.1 Principal Office. The principal office for the transaction of the business of the corporation shall be located at 55 Almaden Boulevard, Suite 200, City of San Jose, County of Santa Clara, State of California. The Board of Directors is hereby granted full power and authority to change said principal office to another location within or without the State of California.

1.2 Other Offices. One or more branch or other subordinate offices may at any time be fixed and located by the Board of Directors at such place or places within or without the State of California as it deems appropriate.

Section 2. DIRECTORS

2.1 Exercise of Corporate Powers. Except as otherwise provided by the Articles of Incorporation of the corporation or by the laws of the State of California now or hereafter in force, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board may delegate the management of the day-to-day operation of the business of the corporation as permitted by law, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

2.2 Number. The number of the corporation's directors shall be not less than six nor more than eleven, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board or by resolution of a majority of the shareholders at any meeting thereof.

2.3 Qualification of Directors. No person shall serve as a member of the Board of Directors: (i) who is a director, officer, employee, agent, nominee, material consulting accountant, analyst, attorney or policy decision maker for any other financial institution, lender or bank holding company or affiliate or subsidiary thereof; or (ii) who has been or is the assignee or nominee of anyone who has any contract, arrangement or understanding with any other financial institution, lender or bank holding company, or affiliate or subsidiary thereof, or with any officer, director, employee, agent, nominee, material consulting accountant, analyst, attorney or policy decision maker thereof, pursuant to which that person could be called upon to reveal or in any way utilize information obtained as a director or will, directly or indirectly, attempt to effect or encourage any action of this corporation, provided, however, that the Board of Directors, in its sole discretion, may permit a person who does not satisfy one or more of the qualifications listed above to serve as a member of the Board of Directors following the Board's determination that such action will not compromise the business plan or strategic focus of the corporation. The Board of Directors of the Corporation, or a committee thereof, shall determine whether any person who seeks to become a director complies with the provisions of this Section 2.3. The directors of the corporation need not be shareholders of the corporation.

2.4 Compensation. Directors shall receive such compensation for their services as directors and such reimbursement for their expenses of attendance at meetings as may be determined from time to time by resolution of the Board. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

2.5 Election and Term of Office. At each annual meeting of shareholders, directors shall be elected to hold office until the next annual meeting, provided that, if for any reason, said annual meeting or an adjournment thereof is not held or the directors are not elected thereat, then the directors may be elected at any special meeting of the shareholders called and held for that purpose. The term of office of the directors shall begin immediately after their election and shall continue until the expiration of the term for which elected and until their respective successors have been elected and qualified.

2.6 Vacancies. A vacancy or vacancies in the Board of Directors shall exist when any authorized position of director is not then filled by a duly elected director, whether caused by death, resignation, removal, change in the authorized number of directors (by the Board or the shareholders) or otherwise. The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony. Except for a vacancy created by the removal of a director, vacancies on the Board may be filled by approval of the board or, if the number of directors then in office is less than a quorum, by (i) the unanimous written consent of the directors then in office, (ii) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice, or (iii) a sole remaining director. A vacancy created by the removal of a director may be filled only by the approval of the shareholders. The shareholders may elect a director at any time to fill any vacancy not filled by the directors. Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board of Directors of the corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

2.7 Nominations for Election of Directors. Nominations for election of members of the Board of Directors may be made by the Board of Directors or by any holder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Notice of intention to make any nominations (other than for persons named in the notice of any meeting called for the election of directors) are required to be made in writing and to be delivered or mailed to the president of the corporation by the later of: (i) the close of business 21 days prior to any meeting to stockholders called for the election of directors, or (ii) ten days after the date of mailing of notice of the meeting to stockholders. Such notification must contain the following information to the extent known to the notifying stockholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying stockholder; (e) the number of shares of capital stock of the corporation owned by the notifying stockholder; (f) the number of shares of capital stock of any bank, bank holding company, savings and loan association or other depository institution owned beneficially by the nominee or by the notifying stockholder and the identities and locations of any such institutions; (g) whether the proposed nominee has ever been convicted of or pleaded nolo contendere to any criminal offense involving dishonesty or breach of trust, filed a petition in bankruptcy or been adjudged bankrupt; and (h) a statement regarding the nominee’s compliance with Section 2.3 of these by-laws. The notification shall be signed by the nominating stockholder and by each nominee, and shall be accompanied by a written consent to be named as a nominee for election as a director from each proposed nominee. Nominations not made in accordance with these procedures shall be disregarded by the Chairman of the meeting, and upon his instructions, the inspectors of election shall disregard all votes cast for each such nominee. The foregoing requirements do not apply to the nomination of a person to replace a proposed nominee who has become unable to serve as a director between the last day for giving notice in accordance with this paragraph and the date of election of directors if the procedure called for in this paragraph was followed with respect to the nomination of the proposed nominee. A copy of this Section 2.9 of these by-laws will be provided to any shareholder upon receipt of a written request therefore, addressed to the President of the corporation.

2.8 Removal.

(a) Any or all of the directors may be removed without cause if such removal is approved by the affirmative vote of a majority of the outstanding shares entitled to vote at an election of directors, subject to the following:

(1) No director may be removed (unless the entire Board is removed) when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected; and

(2) When by the provisions of the Articles the holders of the shares of any class or series, voting as a class or series, are entitled to elect one or more directors, any director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

(b) Any reduction of the authorized number of directors does not remove any director prior to the expiration of such director's term of office.

Section 3. OFFICERS

3.1 Election and Qualifications. The officers of this corporation shall consist of a President, one or more Vice Presidents, a Secretary and a Chief Financial Officer who shall be chosen by the Board of Directors and such other officers, including a Chairman of the Board, as the Board of Directors shall deem expedient, all of whom shall be chosen in such manner and hold their offices for such terms as the Board of Directors may prescribe. Any two or more of such offices may be held by the same person. Any Vice President, Assistant Treasurer or Assistant Secretary, respectively, may exercise any of the powers of the President, the Chief Financial Officer, or the Secretary, respectively, as directed by the Board of Directors and shall perform such other duties as are imposed upon such officer by the By-Laws or the Board of Directors.

3.2 Term of Office and Compensation. The term of office and salary of each of said officers and the manner and time of the payment of such salaries shall be fixed and determined by the Board of Directors and may be altered by said Board from time to time at its pleasure, subject to the rights, if any, of said officers under any contract of employment.

3.3 Removal and Vacancies. Any officer of the corporation may be removed at the pleasure of the Board of Directors at any meeting or by vote of shareholders entitled to exercise the majority of voting power of the corporation at any meeting or at the pleasure of any officer who may be granted such power by a resolution of the Board of Directors. Any officer may resign at any time upon written notice to the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. If any vacancy occurs in any office of the corporation, the Board of Directors may elect a successor to fill such vacancy for the remainder of the unexpired term and until a successor is duly chosen and qualified.

Section 4. CHAIRMAN OF THE BOARD

4.1 Powers and Duties. The Chairman of the Board of Directors, if there be one, shall have the power to preside at all meetings of the shareholders and of the Board of Directors, and to call meetings of the shareholders and of the Board of Directors to be held within the limitations prescribed by law or by these By-Laws, at such times and at such places as the Chairman of the Board shall deem proper. The Chairman of the Board shall have such other powers and shall be subject to such other duties as the Board of Directors may from time to time prescribe.

Section 5. PRESIDENT

5.1 Powers and Duties. The powers and duties of the President are:

(a) To act as the chief executive officer of the corporation and, subject to the control of the Board of Directors, to have general supervision, direction and control of the business and affairs of the corporation.

(b) In the absence of the Chairman of the Board or if there be none, to preside at all meetings of the shareholders and of the Board of Directors.

(c) To call meetings of the shareholders and also of the Board of Directors to be held, subject to the limitations prescribed by law or by these By-Laws, at such times and at such places as the President shall deem proper.

(d) To affix the signature of the corporation to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board of Directors or which, in the judgment of the President, should be executed on behalf of the corporation, to sign certificates for shares of stock of the corporation and, subject to the direction of the Board of Directors, to have general charge of the property of the corporation and to supervise and control all officers, agents and employees of the corporation.

5.2 President pro tem. If neither the Chairman of the Board, the President, nor any Vice President is present at any meeting of the Board of Directors, a President pro tem may be chosen to preside and act at such meeting. If neither the President nor any Vice President is present at any meeting of the shareholders, a President pro tem may be chosen to preside at such meeting.

Section 6. VICE PRESIDENTS

6.1 Powers and Duties. In case of the absence, disability or death of the President, one of the Vice Presidents shall exercise all the powers and perform all the duties of the President. The order in which the Vice Presidents shall succeed to the powers and duties of the President shall be as fixed by the Board of Directors. The Vice Presidents shall have such other powers and perform such other duties as may be granted or prescribed by the Board of Directors.

Section 7. SECRETARY

7.1 Powers and Duties. The powers and duties of the Secretary are:

(a) To keep a book of minutes at the principal office of the corporation, or such other place as the Board of Directors may order, of all meetings of its directors and shareholders with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

(b) To keep the seal of the corporation and to affix the same to all instruments which may require it.

(c) To keep or cause to be kept at the principal office of the corporation, or at the office of the transfer agent or agents, a share register, or duplicate share registers, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(d) To keep a supply of certificates for shares of the corporation, to fill in all certificates issued, and to make a proper record of each such issuance; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents.

(e) To transfer upon the share books of the corporation any and all shares of the corporation; provided, that so long as the corporation shall have one or more duly appointed and acting transfer agents of the shares, or any class or series of shares, of the corporation, such duties with respect to such shares shall be performed by such transfer agent or transfer agents, and the method of transfer of each certificate shall be subject to the reasonable regulations of the transfer agent to which the certificate is presented for transfer, and also, if the corporation then has one or more duly appointed and acting registrars, to the reasonable regulations of the registrar to which the new certificate is presented for registration; and provided, further, that no certificate for shares of stock shall be issued or delivered or, if issued or delivered, shall have any validity whatsoever until and unless it has been signed or authenticated in the manner provided in Section 12 hereof.

(f) To make service and publication of all notices that may be necessary or proper, and without command or direction from anyone. In case of the absence, disability, refusal or neglect of the Secretary to make service or publication of any notices, then such notices may be served and/or published by the President or a Vice President, or by any person thereunto authorized by either of them or by the Board of Directors or by the holders of a majority of the outstanding shares of the corporation.

(g) Generally to do and perform all such duties as pertain to the office of Secretary and as may be required by the Board of Directors.

Section 8. CHIEF FINANCIAL OFFICER

8.1 Powers and Duties. The powers and duties of the Chief Financial Officer are:

(a) To supervise and control the keeping and maintaining of adequate and correct accounts of the corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director.

(b) To have the custody of all funds, securities, evidence of indebtedness and other valuable documents of the corporation and, at the Chief Financial Officer's discretion, to cause any or all thereof to be deposited for the account of the corporation with such depositary as may be designated from time to time by the Board of Directors.

(c) To receive or cause to be received, and to give or cause to be given, receipts and acquittances for moneys paid in for the account of the corporation.

(d) To disburse, or cause to be disbursed, all funds of the corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements.

(e) To render to the President and to the Board of Directors, whenever they may require, accounts of all transactions and of the financial condition of the corporation.

(f) Generally to do and perform all such duties as pertain to the office of Chief Financial Officer and as may be required by the Board of Directors.

Section 9. COMMITTEES OF THE BOARD

9.1 Appointment and Procedure. The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more Board committees. The Chairman of the Board of Directors shall designate two or more directors as members of each of the Board's committees, subject to approval of the Chairman's appointments by a majority of the authorized number of directors. Committee members shall serve at the pleasure of the Board. The Chairman of the Board, with the approval of a majority of the authorized number of directors, may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The Chairman of the Board shall also designate a chairman for each Board committee, subject to approval of the Chairman's appointments by a majority of the authorized number of directors. The committee chairmen shall have the sole power to call any committee meetings other than meetings set by the Board.

9.2 Powers. Any committee appointed by the Board of Directors, to the extent provided in the resolution of the Board or in these By-Laws, shall have all the authority of the Board except with respect to:

(a) the approval of any action which requires the approval or vote of the shareholders;

(b) the filling of vacancies on the Board or on any committee;

(c) the fixing of compensation of the directors for serving on the Board or on any committee;

(d) the amendment or repeal of By-Laws or the adoption of new By-Laws;

(e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

(f) a distribution to the shareholders of the corporation, except at a rate, in a periodic amount or within a price range set forth in the articles or determined by the Board; and

(g) the appointment of other committees of the Board or the members thereof.

9.3 Executive Committee. In the event that the Board of Directors appoints an Executive Committee, such Executive Committee, in all cases in which specific direction to the contrary shall not have been given by the Board of Directors, shall have and may exercise, during the intervals between the meetings of the Board of Directors, all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation (except as provided in Section 9 hereof) in such manner as the Executive Committee may deem in the best interests of the corporation.

Section 10. MEETINGS OF SHAREHOLDERS

10.1 Place of Meetings. Meetings (whether regular, special or adjourned) of the shareholders of the corporation shall be held at the principal office for the transaction of business as specified in accordance with Section 1.1 hereof, or any place within or without the State which may be designated by written consent of all the shareholders entitled to vote thereat, or which may be designated by the Board of Directors.

10.2 Time of Annual Meetings. The annual meeting of the shareholders shall be held on a date and at a time designated by the Board of Directors. The date so designated shall be within fifteen months of the last annual meeting.

10.3 Special Meetings. Special meetings of the shareholders may be called by the Board of Directors, the Chairman of the Board, the President or the holders of shares entitled to cast not less than 10 percent of the vote at the meeting.

10.4 Notice of Meetings.

(a) Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given not less than 10 (or, if sent by third class mail, 30) nor more than 60 days before the day of the meeting to each shareholder entitled to vote thereat. Such notice shall state the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and that no other business may be transacted, or (ii) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the shareholders but subject to the provisions of subdivision (b) any proper matter may be presented at the meeting for such action. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the Board for election.

(b) Any shareholder approval at a meeting, other than unanimous approval by those entitled to vote, on any of the matters listed below, shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting or in any written waiver of notice:

(1) a proposal to approve a contract or other transaction between the corporation and one or more of its directors, or between the corporation and any corporation, firm or association in which one or more directors has a material financial interest;

(2) proposal to amend the Articles of Incorporation;

(3) a proposal regarding a reorganization, merger or consolidation involving the corporation;

(4) a proposal to wind up and dissolve the corporation;

(5) a proposal to adopt a plan of distribution of the shares, obligations or securities of any other corporation, domestic or foreign, or assets other than money which is not in accordance with the liquidation rights of any preferred shares as specified in the Articles of Incorporation.

10.5 Delivery of Notice. Notice of a shareholders' meeting or any report shall be given either personally or by first class mail or in the case of a corporation with outstanding shares held of record by 500 or more persons (determined as provided in Section 605 of the California General Corporation Law) on the record date for the shareholders' meeting, notice may be sent third class mail, or other means of written communication, addressed to the shareholder at the address of such shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice; or if no such address appears or is given, at the place where the principal executive office of the corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal executive office is located. The notice or report shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication. An affidavit of mailing of any notice or report in accordance with the provisions of this section, executed by the Secretary, Assistant Secretary or any transfer agent, shall be prima facie evidence of the giving of the notice or report.

If any notice or report addressed to the shareholder at the address of such shareholder appearing on the books of the corporation is returned to the corporation by United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice or report to all other shareholders.

10.6 Adjourned Meetings. When a shareholders' meeting is adjourned to another time or place, unless the By-Laws otherwise require and except as provided in this section, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

10.7 Consent to Shareholders' Meeting. The transactions of any meeting of shareholders, however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the California General Corporation Law to be included in the notice but not so included in the notice if such objection is expressly made at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof, unless otherwise provided in the Articles of Incorporation or By-Laws, except as provided in Section 10.

10.8 Quorum.

(a) The presence in person or by proxy of the persons entitled to vote the majority of the voting shares at any meeting shall constitute a quorum for the transaction of business. Except as provided in subdivision (b), the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the Articles of Incorporation or these By-Laws.

(b) The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of the number of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

(c) In the absence of a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but no other business may be transacted, except as provided in subdivision (b).

10.9 Voting Rights. Except as provided in Section 10 or in the Articles of Incorporation or in any statute relating to the election of directors or to other particular matters, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of shareholders. Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, other than elections to office, but, if the shareholder fails to specify the number of shares such shareholder is voting affirmatively, it will be conclusively presumed that the shareholder’s approving vote is with respect to all shares such shareholder is entitled to vote.

10.10 Determination of Holders of Record.

(a) In order that the corporation may determine the shareholders entitled to notice of any meeting or to vote or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days prior to the date of such meeting nor more than 60 days prior to any other action.

(b) In the absence of any record date set by the Board of Directors pursuant to subdivision (a) above, then:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(2) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is given.

(3) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

(c) A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting, but the Board shall fix a new record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

(d) Shareholders at the close of business on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Articles or by agreement or applicable law.

10.11 Elections for Directors.

(a) Every shareholder complying with subdivision (b) and entitled to vote at any election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are normally entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit.

(b) No shareholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such shareholder normally is entitled to cast) unless such candidate or candidates' names have been placed in nomination prior to the voting and the shareholder has given written notice to the chairman of the meeting at the meeting prior to the voting of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination.

(c) In any election of directors, the candidates receiving the highest number of affirmative votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected; votes against the director and votes withheld shall have no legal effect.

(d) Elections for directors need not be by ballot unless a shareholder demands election by ballot at the meeting and before the voting begins or unless the By-Laws so require.

10.12 Proxies.

(a) Every person entitled to vote shares may authorize another person or persons to act by proxy with respect to such shares. Any proxy purporting to be executed in accordance with the provisions of the General Corporation Law of the State of California shall be presumptively valid.

(b) No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto, except as otherwise provided in this section. Such revocation may be effected by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or as to any meeting by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed.

(c) A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of such death or incapacity is received by the corporation.

10.13 Inspectors of Election.

(a) In advance of any meeting of shareholders the Board may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of shareholders may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders or proxies the majority of shares represented in person or by proxy shall determine whether one or three inspectors are to be appointed.

(b) The inspectors of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders.

(c) The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

Section 11. MEETINGS OF DIRECTORS

11.1 Place of Meetings. Unless otherwise specified in the notice thereof, meetings (whether regular, special or adjourned) of the Board of Directors of this corporation shall be held at the principal office of the corporation for the transaction of business, as specified in accordance with Section 1 hereof, which is hereby designated as an office for such purpose in accordance with the laws of the State of California, or at any other place within or without the State which has been designated from time to time by resolution of the Board or by written consent of all members of the Board.

11.2 Regular Meetings. Regular meetings of the Board of Directors, of which no notice need be given except as required by the laws of the State of California, shall be held after the adjournment of each annual meeting of the shareholders (which meeting shall be designated the Regular Annual Meeting) and at such other times as may be designated from time to time by resolution of the Board of Directors.

11.3 Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board or the President or by any Vice President or the Secretary or by any two or more of the directors.

11.4 Notice of Meetings. Except in the case of regular meetings, notice of which has been dispensed with, the meetings of the Board of Directors shall be held upon four days' notice by mail or 48 hours' notice delivered personally or by telephone, telegraph or other electronic or wireless means. If the address of a director is not shown on the records and is not readily ascertainable, notice shall be addressed to the director at the city or place in which the meetings of the directors are regularly held. Except as set forth in Section 11, notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the meeting adjourned.

11.5 Quorum. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors except as otherwise provided by law. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

11.6 Adjourned Meetings. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

11.7 Waiver of Notice and Consent. Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

11.8 Action Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

11.9 Conference Telephone Meetings. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section constitutes presence in person at such meeting.

11.10 Meetings of Committees. The provisions of this Article apply also to committees of the Board and incorporators and action by such committees and incorporators.

Section 12. SUNDRY PROVISIONS

12.1 Instruments in Writing. All checks, drafts, demands for money and notes of the corporation, and all written contracts of the corporation, shall be signed by such officer or officers, agent or agents, as the Board of Directors may from time to time by resolution designate. No officer, agent, or employee of the corporation shall have power to bind the corporation by contract or otherwise unless authorized to do so by these By-Laws or by the Board of Directors.

12.2 Fiscal Year. The fiscal year of this corporation shall commence on January 1st and end on December 31 of each year.

12.3 Shares Held by the Corporation. Shares in other corporations standing in the name of this corporation may be voted or represented and all rights incident thereto may be exercised on behalf of this corporation by the President or by any other officer of this corporation authorized so to do by resolution of the Board of Directors.

12.4 Certificates of Stock. There shall be issued to each holder of fully paid shares of the capital stock of the corporation a certificate or certificates for such shares. Every holder of shares in the corporation shall be entitled to have a certificate signed in the name of the corporation by the Chairman or Vice Chairman of the Board or the President or a Vice President and by the Chief Financial Officer or an Assistant Treasurer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Notwithstanding the above or any other provision in these Bylaws, the corporation may adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, including provisions for notice to purchasers in substitution for any required statements on certificates, and as may be required by applicable corporate securities laws, which system has been approved by the United States Securities and Exchange Commission and by any exchange on which the corporation's securities may be traded from time to time. Any system so adopted shall not become effective as to issued and outstanding certificated securities or securities issued in certificated form in the future until the certificates therefore have been surrendered to the corporation.

12.5 Lost Certificates. The corporation may issue a new share certificate or a new certificate for any other security in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate or the owner’s legal representative to give the corporation a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate. The Board of Directors may adopt such other provisions and restrictions with reference to lost certificates, not inconsistent with applicable law, as it shall in its discretion deem appropriate.

12.6 Certification and Inspection of By-Laws. The corporation shall keep at its principal executive office in this state, or if its principal executive office is not in this state at its principal business office in this state, the original or a copy of these By-Laws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside this state and the corporation has no principal business office in this state, it shall upon the written request of any shareholder furnish to such shareholder a copy of the By-Laws as amended to date.

12.7 Notices. Any reference in these By-Laws to the time a notice is given or sent means, unless otherwise expressly provided, the time a written notice by mail is deposited in the United States mails, postage prepaid; or the time any other written notice is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient; or the time any oral notice is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

12.8 Reports to Shareholders. Except as may otherwise be required by law, the rendition of an annual report to the shareholders is waived so long as there are less than 100 holders of record of the shares of the corporation (determined as provided in Section 605 of the California General Corporation Law). At such time or times, if any, that the corporation has 100 or more holders of record of its shares, the Board of Directors shall cause an annual report to be sent to the shareholders not later than 120 days after the close of the fiscal year or within such shorter time period as may be required by applicable law, and such annual report shall contain such information and be accompanied by such other documents as may be required by applicable law.

12.9 Indemnification of Directors, Officers and Employees.

(a) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding, by reason of the fact that such person is or was an agent of the corporation, to the fullest extent permitted by Section 317 of the California General Corporation Law, as amended from time to time. The term “proceeding” and “agent” in the foregoing sentence shall have the meanings given to them in Section 317 of the California General Corporation Law, as amended from time to time.

(b) The indemnification provided by this section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent such additional rights to indemnification are authorized in the articles of the corporation. The rights to indemnity hereunder shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person. Nothing contained in this section shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

(c) This section does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person’s capacity as such, even though such person may also be an agent as defined in subdivision (a) of the corporation. The corporation shall, and it hereby agrees to, indemnify such trustee, investment manager or other fiduciary to the extent permitted by subdivision (f) of Section 207 of the California General Corporation Law, as amended from time to time.

(d) Nothing in this section shall restrict the power of the corporation to indemnify its agents under any provision of the California General Corporation Law, as amended from time to time, or under any other provision of law from time to time applicable to the corporation, nor shall anything in this section authorize the corporation to indemnify its agents in situations prohibited by the California General Corporation Law or other applicable law.

Section 13. CONSTRUCTION OF BY-LAWS WITH REFERENCE TO PROVISIONS OF LAW

13.1 Definitions. Unless defined otherwise in these By-Laws or unless the context otherwise requires, terms used herein shall have the same meaning, if any, ascribed thereto in the California General Corporation Law, as amended from time to time.

13.2 By-Law Provisions Additional and Supplemental to Provisions of Law. All restrictions, limitations, requirements and other provisions of these By-Laws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

13.3 By-Law Provisions Contrary to or Inconsistent with Provisions of Law. Any article, section, subsection, subdivision, sentence, clause or phrase of these By-Laws which upon being construed in the manner provided in Section 13 hereof, shall be contrary to or inconsistent with any applicable provision of law, shall not apply so long as said provisions of law shall remain in effect, but such result shall not affect the validity or applicability of any other portions of these By-Laws, it being hereby declared that these By-Laws would have been adopted and each article, section, subsection, subdivision, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentence clauses or phrases is or are illegal.

Section 14. ADOPTION, AMENDMENT OR REPEAL OF BY-LAWS

14.1 By Shareholders. By-Laws may be adopted, amended or repealed by the approval of the affirmative vote of a majority of the outstanding shares of the corporation entitled to vote.

14.2 By the Board of Directors. Subject to the right of shareholders to adopt, amend or repeal By-Laws, By-Laws other than a By-Law or amendment thereof changing the authorized number of directors may be adopted, amended or repealed by the Board of Directors. A By-Law adopted by the shareholders may restrict or eliminate the power of the Board of Directors to adopt, amend or repeal any or all By-Laws.

CERTIFICATE OF SECRETARY

KNOW ALL PERSONS BY THESE PRESENTS:

That the undersigned does hereby certify that the undersigned is the Secretary of Bridge Capital Holdings, a corporation duly organized and existing under and by virtue of the laws of the State of California; that the above and foregoing By-Laws of said corporation were duly and regularly adopted as such by the Board of Directors of said corporation; and that the above and foregoing By-Laws are now in full force and effect.

Dated: _______________, _____

Secretary

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Section 3: EX-10.17

FIRST AMENDMENT

THIS FIRST AMENDMENT (this "**Amendment**") is made and entered into as of March 9, 2006 for reference purposes only, by and between **PAOC, LLC, a Delaware limited liability company** ("**Landlord**"), and **BRIDGE BANK OF SILICON VALLEY N.A., a federally chartered national bank** ("**Tenant**").

RECITALS

A. Landlord (as successor in interest to C.M Capital Corporation, a California corporation) and Tenant are parties to that certain lease dated October 15, 2001 and accompanied by an Addendum of the same date (collectively, the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately 2,975 rentable square feet (the "**Original Premises**") described as Suite Nos. 101 and 103 on the first floor of the building commonly known as the Palo Alto Office Center located at 525 University Avenue, Palo Alto, California (the "**Building**").

B. Tenant and Landlord have agreed to relocate Tenant from the Original Premises to space containing approximately **6,495** rentable square feet described as Suite No. 31 of the Building, as shown on **Exhibit A** hereto (the "**Substitution Space**"), and that the Lease be appropriately amended on the following terms and conditions.

C. The Lease by its terms shall expire on November 30, 2006 (the "**Prior Termination Date**"), and the parties desire to extend the Term of the Lease, all on the following terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Substitution Space.**

(a) Effective as of the Substitution Effective Date (defined below), the Substitution Space is substituted for the Original Premises and, from and after the Substitution Effective Date, the "Premises", as defined in the Lease and as used herein, shall be deemed to mean the Substitution Space containing approximately **6,495** rentable square feet and described as Suite No. 31 of the Building.

(b) Subject to Section 8 below, the Term ("**Substitution Space Term**") for the Substitution Space shall commence on February 1, 2007 (the "**Substitution Effective Date**") and end on the Extended Termination Date (defined below). The Substitution Space is subject to all the terms and conditions of the Lease except as expressly modified herein and except that Tenant shall not be entitled to receive any allowances, abatements or other financial concessions granted with respect to the Original Premises unless such concessions are expressly provided for herein with respect to the Substitution Space. Effective as of the Substitution Effective Date, the Lease shall be terminated with respect to the Original Premises, and the "Premises", as defined in the Lease and as used herein shall mean the Substitution Space. Tenant shall vacate the Original Premises as of the date that is not later than seventy-five (75) days following the Substitution Effective Date (such date that Tenant is required to vacate the Original Premises being referred to herein as the "**Original Premises Vacation Date**") and return the same to Landlord in "broom clean" condition and otherwise in accordance with the terms and conditions of the Lease, as amended hereby; provided however that in the event that Tenant is delayed in occupying in Substitution Space due to a Force Majeure Event (defined below), Tenant shall be entitled to delay the Original Premises Vacation Date for a period not to exceed thirty (30) days so long as Tenant provides Landlord with written notice of the need for such delay and documentation reasonably satisfactory to Landlord evidencing such Force Majeure Event prior to the expiration of such seventy-five (75) day period. Notwithstanding anything to the contrary contained herein, if the Original Premises Vacation Date is subsequent to the Substitution Effective Date (such period commencing on the Substitution Effective Date and ending on the Original Premises Vacation Date is referred to herein as the "**Vacation Period**"), then during the Vacation Period, Tenant shall comply with all terms and provisions of the Lease, as amended hereby, with respect to the Original Premises as though the Original Premises were still deemed part of the Premises hereunder, and Tenant shall pay Rent with respect to the Original Premises during the Vacation Period in accordance with the Lease, as amended hereby. Following the Vacation Period, Tenant's obligation for payment of Rent shall be determined in accordance with Section 12 below. As used herein, a "**Force Majeure Event**" shall mean an act of God, shortage of labor or materials, war, terrorist act or civil disturbance; provided that a delay cause by a Force Majeure Event shall not include any delay in obtaining any permits or other governmental approvals with respect to the Substitution Space and/or the Tenant Improvements (as defined in **Exhibit B** attached hereto). Tenant shall provide Landlord with not less than ten (10) business days' prior written notice of the date Tenant reasonably anticipates that Tenant will vacate the Original Premises pursuant to this Section 1(b).

(c) The Substitution Effective Date shall be delayed to the extent that Landlord fails to deliver possession of the Substitution Space for any reason, including but not limited to, holding over by prior occupants and Landlord shall use commercially reasonable efforts to obtain timely possession of the Substitution Space. Any such delay in the Substitution Effective Date shall not subject Landlord to any liability for any loss or damage resulting therefrom. If the Substitution Effective Date is delayed, the Extended Termination Date shall be similarly extended.

(d) Upon written notice from Tenant, Landlord shall use commercially reasonable efforts to facilitate access to the Substitution Space by Tenant prior to the Substitution Effective Date solely for preliminary space planning purposes; provided that any such access to the Substitution Space shall be subject to the prior written consent of Citibank (as defined in Section 8 below), any conditions imposed thereon by Citibank, and the remaining terms of this Section 1(d). Tenant hereby acknowledges and agrees that during such time that Tenant and Tenant's Agents have early access to the Substitution Space pursuant to this Section, neither Landlord nor any Landlord's Agents shall be directly or indirectly liable to Tenant or any other person and Tenant hereby waives any and all claims, known or unknown, against and releases Landlord and Landlord's Agents from any and all claims arising as a consequence of or related to (a) access to the Substitution Space by Tenant and any Tenant's Agents prior to the Substitution Effective Date, (b) Tenant's inability to access the Substitution Space, including without limitation as a result of any refusal by Citibank to grant such access to Tenant or Tenant's Agents, and (c) any and all losses, claims, damages, costs or expenses sustained by Tenant, any Tenant's Agents or any third party resulting from any other act or omission (regardless of whether same constitutes negligence) of Citibank, its agents, employees and contractors. Tenant shall be liable for and Tenant's indemnity obligation pursuant to Paragraph 7(b) of the Lease shall apply to any Losses relating to or arising from any access to the Substitution Space by Tenant and any Tenant's Agents pursuant to this Section 1(d).

2. **Extension.** The Term of the Lease is hereby extended for a period of eighty-six (86) months and shall expire on January 31, 2014 (the "**Extended Termination Date**"), unless sooner terminated in accordance with the terms of the Lease. That portion of the Term commencing December 1, 2006 (the "**Extension Date**") and ending on the Extended Termination Date shall be referred to herein as the "**Extended Term**".

3. **Base Rent.**

(a) **Original Premises Through the Original Premises Vacation Date.** Base Rent (subject to adjustments pursuant to Section 3(d) below), Monthly, Additional Rent, Additional Rent and all other charges under the Lease shall be payable as provided therein with respect to the Original Premises through and including the Original Premises Vacation Date.

(b) **Substitution Space From the Substitution Effective Date.** As of the Substitution Effective Date, the schedule of Base Rent payable with respect to the Substitution Space during the first twelve (12) months of the Substitution Space Term is the following, subject to adjustments pursuant to Section 3(d) below:

Period	**Monthly Rate Per Square Foot**	**Annual Base Rent**	**Monthly Base Rent**
Substitution Effective Date - Month 12	$4.50	$350,730.00	$29,227.50

(c) Notwithstanding anything in the Lease or this Amendment to the contrary, so long as Tenant is not in default under the Lease, as amended hereby, Tenant shall be entitled to an abatement of Base Rent in the amount of $29,227.50 (the "**Abated Base Rent**") and Tenant's percentage share of Operating Expenses, in each case solely with respect to the Substitution Space (collectively, the "**Abated Rent**"), for the first two (2) full calendar months of the Substitution Space Term (the "**Rent Abatement Period**"). In addition, in the event the Substitution Effective Date occurs prior to February 1, 2007 pursuant to Section 8 below, following the expiration of the Rent Abatement Period, Tenant shall be entitled to an additional abatement of Base Rent and Tenant's percentage share of Operating Expenses (in each case, solely with respect to the Substitution Space) equal to seven (7) days of the sum of (i) the Base Rent payable for the Substitution Space, in the amount of $974.25 per day, and (ii) Tenant's percentage share of Operating Expenses for the Substitution Space, prorated on a per diem basis, for every thirty (30) day period between the actual Substitution Effective Date and February 1, 2007 (the "**Early Commencement Abated Rent**"). By way of example only, if in accordance with Section 8 below, the Substitution Effective Date is October 1, 2006, then commencing as of January 1, 2007, Tenant shall be entitled to twenty-one (21) days of Early Commencement Abated Rent in an amount equal to $20,459.25 plus Tenant's percentage share of Operating Expenses for the Substitution Space that would otherwise be payable during such 21-day period. If Tenant defaults at any time during the original Term or the Extended Term and fails to cure such default within any applicable notice and cure period under the Lease, as amended hereby, all Abated Rent and any Early Commencement Abated Rent shall immediately become due and payable. The payment by Tenant of the Abated Rent and any Early Commencement Abated Rent in the event of a default shall not limit or affect any of Landlord's other rights, pursuant to the Lease, as amended hereby, or at law or in equity. Only Base Rent and Tenant's percentage share of Operating Expenses for the Substitution Space shall be abated as set forth above, and Base Rent and Monthly Additional Rent for the Original Premises, and all other Additional Rent payable pursuant to the Lease, as amended hereby, shall remain as due and payable pursuant to the provisions of the Lease, as amended hereby.

(d) Commencing as of the first anniversary of the Substitution Effective Date and continuing during each subsequent anniversary of the Substitution Effective Date during the Substitution Space Term (each, an "**Adjustment Date**"), Base Rent for the Substitution Space shall be adjusted in accordance with Paragraph 4(e) of the Lease; provided that during such period, (i) the definition of "**Adjustment Date**" set forth in Paragraph 4(e) of the Lease shall be deleted in its entirety and replaced with the definition of Adjustment Date set forth in this Section 3(d), and (ii) the definition of "**Beginning Index**" set forth in Paragraph 4(e) of the Lease as to the first Adjustment Date of the Substitution Space Term shall be amended to be the CPI Index most recently published prior to the Substitution Effective Date. Notwithstanding the forgoing, if the Original Premises Vacation Date is subsequent to the Extension Date, Base Rent for the Original Premises shall be subject to adjustment pursuant to Paragraph 4(e) of the Lease, without reference to the above set modifications with respect to the definitions of Adjustment Date and Beginning Index.

4. **Additional Security Deposit.** No additional security deposit shall be required in connection with this Amendment.

5. **Tenant's Percentage Share.** For the period commencing with the Substitution Effective Date and ending on the Extended Termination Date, Tenant's percentage share for the Premises is amended to be **3.81%**.

6. **Operating Expenses.**

(a) **Original Premises.** Until the Original Premises Vacation Date, Tenant shall pay Monthly Additional Rent applicable to the Original Premises in accordance with the terms of the Lease, as amended hereby.

(b) **Substitution Space From Substitution Effective Date Through Extended Termination Date.** For the period commencing with the Substitution Effective Date and ending on the Extended Termination Date, Tenant shall pay Monthly Additional Rent applicable to the Substitution Space in accordance with the terms of the Lease, as amended hereby.

7. **Improvements to Substitution Space.**

(a) **Condition of Substitution Space.** Tenant has inspected the Substitution Space and agrees to accept the same "as is" without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements, except as may be expressly provided in this Amendment. Tenant hereby acknowledges and agrees that Landlord shall have no obligation to remove the vault currently existing in the Substitution Space. Notwithstanding anything to the contrary set forth in the Lease, as amended hereby, except to the extent caused by Tenant or any of the Tenant's Agents, the base Building electrical, heating, ventilation and air conditioning, mechanical and plumbing systems servicing the Substitution Space shall be in good and working order as of the date Landlord delivers possession of the Substitution Space to Tenant. If the foregoing are not in good and working order as provided above, Landlord shall be responsible for repairing or restoring same at its cost and expense, provided that Tenant has delivered written notice thereof to Landlord not later than thirty (30) days following the date substantially completes the Tenant Improvements with respect to the Substitution Space. Notwithstanding the foregoing, Tenant, and not Landlord, shall be responsible, at its cost, for any repairs or the correction of any defects that arise out of or in connection with the specific nature of Tenant's business, the acts or omissions of Tenant or any Tenant's Agents, Tenant's arrangement of any furniture, equipment or other property in the Substitution Space, any repairs, alterations, additions or improvements performed by or on behalf of Tenant including the Tenant Improvements (defined below), and any design or configuration of the Substitution Space created by or for Tenant which specifically results in the need for such repair to the correction of such defect in the base Building systems in the Substitution Space.

(b) **Responsibility for Improvements to Substitution Space.** Tenant may perform alterations and improvements to the Substitution Space in accordance with **Exhibit B** attached hereto (the "**Tenant Improvements**") and Tenant shall be entitled to an improvement allowance in connection with such work as more fully described in **Exhibit B**. Upon full execution of this Amendment by the parties hereto, Tenant shall proceed with due diligence to obtain all permits and any other required governmental approvals with respect to the Tenant Improvements so long as such permits shall remain valid until the outside date that the Substitution Space may be delivered to Tenant and Tenant may substantially complete the Tenant Improvements in accordance with this Amendment. Notwithstanding anything to the contrary set forth in the Lease, in the event that as a result of the construction of any Standard Office Improvements (defined below), any alterations, additions or improvements are necessary to comply with Laws (as defined in Section 9(a) below) (collectively, the "**Compliance Modifications**") with respect to (i) the common areas of the Building, including any base Building mechanical, electrical, plumbing or fire/life safety systems (the "**Common Areas**"), or (ii) the Substitution Space, Tenant shall not be required to perform such Compliance Modifications except as provided below. Accordingly, except as provided below, in the event that, as a result of the construction of any Standard Office Improvements, any Compliance Modifications are required to the Common Areas or the Substitution Space to comply with Laws, Landlord, at Landlord's expense (except to the extent properly included in Operating Expenses), shall be responsible for performing such Compliance Modifications, if any. Landlord shall have the right to contest any alleged violation of Laws in good faith, including, without limitation, the right to apply for and obtain a waiver or deferment of compliance, the right to assert any and all defenses allowed by Law and the right to appeal any decisions, judgments or rulings to the fullest extent permitted by Law. Landlord, after the exhaustion of any and all rights to appeal or contest, will make any Compliance Modifications necessary to comply with the terms of any final order or judgment. Notwithstanding the foregoing, (i) Tenant, not Landlord, shall be responsible for compliance with Title 24 of the California Code of Regulations ("**Title 24**") with respect to the Substitution Space and shall perform any Compliance Modifications to the Substitution Space that are required by Title 24, and (ii) Tenant, not Landlord, shall perform at its sole cost any Compliance Modifications related to (A) any Tenant Improvements that do not constitute Standard Office Improvements, and (B) any future alterations, additions or improvements performed by or on behalf of Tenant. As used herein "**Standard Office Improvements**" shall mean the Tenant Improvements described on the Space Plans (as defined in **Exhibit B**), as of the date of this Amendment and any other Tenant Improvements that are Building standard office improvements substantially the same as the Tenant Improvements shown on the Space Plans as of the date hereof and approved by Landlord in accordance with **Exhibit B**. Nothing contained herein shall be deemed to modify, diminish or excuse Tenant's obligation to perform the Tenant Improvements in compliance with Laws and otherwise in accordance with **Exhibit B**.

8. **Early Availability**. Tenant acknowledges that the Substitution Space is currently leased by Landlord (as successor in interest to CM Capital Corporation) to Citibank (West), FSB ("**Citibank**") pursuant to the terms of a lease dated January 2, 1997, as the same may be amended from time to time (the "**Existing Lease**"). Notwithstanding anything herein to the contrary, if the Existing Lease terminates (or Citibank's right to possession is terminated) prior to its stated expiration date, Landlord, at its option, may provide Tenant with written notice of such prior termination (the "**Prior Termination Notice**"). If Landlord provides Tenant with a Prior Termination Notice, the Substitution Effective Date shall be accelerated to be the date Landlord delivers possession of the Substitution Space to Tenant; provided that notwithstanding the foregoing, in no event shall the Substitution Effective Date be earlier than the date that is the later of (a) June 1, 2006 or (b) sixty (60) days following the date Landlord delivers a Prior Termination Notice to Tenant.

9. **Signage**.

(a) As of the Substitution Effective Date, Tenant shall remove, at its sole cost and expense, its existing sign located on the Building (the "**Existing Sign**") and, upon removal of Citibank's signs by Landlord at its sole cost, install new signs (collectively, the "**Building Signage**") on to the portions of the Building in which Citibank's signs are currently located, as depicted on **Exhibit C-1** attached hereto (the "**Substitution Space Sign Location**"), which removal and installation shall be subject to the terms of this Section 9. The general approved sign specifications for the New Signs are set forth on **Exhibit C-2** attached hereto. The exact location of the Building Signage shall be subject to all applicable federal, state and local laws, ordinances, codes, rules and regulations (collectively, "**Laws**") and Landlord's prior written approval (if the location or specifications must be changed to comply with such Laws), which approval shall not be unreasonably withheld, provided that the location does not unreasonably detract from the first-class quality of the Building. Such right to Building Signage is personal to Tenant (and any bank to which Tenant assigns the Lease with Landlord's approval pursuant to Paragraph 14 of the Lease (a "**Bank Transferee**")) and is subject to the following terms and conditions: (i) Tenant shall submit plans and drawings for the Building Signage to the City of Palo Alto and to any other public authorities having jurisdiction and shall obtain written approval from each such jurisdiction prior to installation, and shall fully comply with all applicable Laws; (ii) Tenant shall, at Tenant's sole cost and expense, design, construct and install the Building Signage; (iii) the Building Signage shall be subject to Landlord's prior written approval (except for such approval that has been granted above), which shall not be unreasonably withheld or delayed; and (iv) Tenant shall maintain the Building Signage in good condition and repair, and all costs of maintenance and repair shall be borne by Tenant. Maintenance shall include, without limitation, cleaning at reasonable intervals. Tenant shall be responsible for any electrical energy used in connection with the Building Signage. Tenant must adhere to Landlord's Building rules as previously agreed to regarding the installation of the Building Signage (i.e. Building Signage shall not be attached directly onto the Building exterior granite). At Landlord's option, Tenant's right to the Building Signage may be revoked and terminated upon occurrence of any of the following events: (A) Tenant shall be in default under the Lease beyond any applicable cure period; (B) Tenant occupies less than the entire Premises (unless Tenant or a Bank Transferee occupies the balance of the Premises); or (C) the Lease shall terminate or otherwise no longer be in effect.

(b) Tenant shall promptly repair, at its sole cost and expense, any damage to the Building as a result of Tenant's removal of the Existing Sign and restore the Building to its condition existing prior to the installation of the Existing Sign; provided, however, Tenant need not replace the mullions to which the Existing Sign is attached as long as Tenant shall reasonably patch the screw holes in such mullions which were used to attach the Existing Sign. Upon the expiration or earlier termination of the Lease or at such other time that Tenant's signage rights are terminated pursuant to the terms hereof, if Tenant fails to remove the Exiting Sign and/or the Building Signage and repair the Building in accordance with the terms of this Section, Landlord shall have the right, but not the obligation, to cause the Existing Sign and/or the Building Signage, as applicable, to be removed from the Building and the Building to be repaired and restored to the condition which existed prior to the installation of the Existing Sign and/or Building Signage (including, if necessary, the replacement of any precast concrete panels if Tenant made holes in such panels), as applicable. Such work shall be performed at the sole cost and expense of Tenant and otherwise in accordance with the Lease, as amended hereby, without further notice from Landlord notwithstanding anything to the contrary contained in the Lease, as amended hereby; provided, however, that the mullions to which the Existing Sign and/or the Building Signage is attached shall not be replaced and the screw holes in such mullions which were used to remove and/or attach the Existing Sign and/or the Building Signage shall be reasonably patched). Tenant shall pay all costs and expenses for such removal and restoration within five (5) days following delivery of an invoice therefor.

(c) The rights provided in this Section 9 shall be non-transferable, except to a Bank Transferee, unless otherwise agreed by Landlord in writing in its sole discretion.

10. **Parking**.

(a) Effective as of the Substitution Effective Date, the number of non-exclusive parking spaces in the parking garage for the Building (the "**Parking Garage**") allocated to Tenant pursuant to the Lease shall be amended to be eighteen (18) unreserved parking spaces on levels B, C and C1 (the "**General Parking Spaces**"). Upon not less than thirty (30) days prior written notice to Landlord and subject to Tenant's obligation to pay any monthly charge for such reserved spaces as set forth below, Tenant may exchange (i) up two (2) of the Paid General Parking Spaces (defined below) for up to two (2) reserved parking spaces on level B-1 of the Parking Garage, as depicted on **Exhibit D** attached hereto (the "**Level B-1 Reserved Spaces**") and (ii) up to four (4) Paid General Parking Spaces for up to four (4) reserved parking spaces on level A ("**Level A Reserved Spaces**"). The Level B-1 Reserved Spaces and the Level A Reserved Spaces are collectively referred to herein as the "**Reserved Spaces**". The parking spaces allocated to Tenant hereunder are collectively referred to as the "**Parking Spaces**"). Tenant's use of the Parking Spaces shall be in common with other tenants of the Building and tenants of the building located adjacent to the Building (subject to Tenant's rights with respect to any Reserved Spaces), upon reasonable terms and conditions as may be established from time to time by Landlord. During the Substitution Space Term, there shall be no charge for Tenant's use of seven (7) of the General Parking Spaces. Tenant shall pay as Additional Rent the standard rate for the remaining eleven (11) General Parking Spaces ("**Paid General Parking Spaces**") (or so many thereof that are not exchanged for Reserved Space in accordance with this Section) and for any Level A Reserved Spaces and Level B-1 Reserved Spaces. The current rate for the General Parking Spaces is $100.00 per month per Parking Space, $110.00 per month per Level B-1 Reserved Space, and $120.00 per month per Level A Reserved Space, subject to adjustment from time to time, which amount shall be payable by Tenant to Landlord or any third party operator of the Parking Garage, as applicable, without demand, offset, or deduction. Tenant shall be entitled to designate any Level A Reserved Spaces as "visitor" spaces for Tenant's visitors, provided that the design, size, color and location of any signage identifying such visitor spaces shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld.

(b) Landlord reserves the right in its discretion to determine whether the Parking Garage is becoming crowded and to allocate and assign the previously unassigned parking spaces among Tenant and the other tenants or to restrict the use of certain parking spaces for certain tenants; provided, however, except as required by applicable Laws or in the event of a casualty or a taking by eminent domain, the foregoing reconfigurations of the Parking Garage will not reduce the number of Parking Spaces allocated to Tenant hereunder or the location of any Reserved Spaces. Landlord shall have no responsibility or liability to Tenant for (i) any use, occupancy, or misuse (including but not limited to any overnight parking) by others of any parking spaces in the Parking Garage, including but not limited to those spaces assigned to Tenant, if any, (ii) any personal injuries or death arising out of any matter relating to the Parking Garage, or (iii) loss or damage to any property (including any loss or damage to any motor vehicle or the contents thereof due to theft, vandalism or accident) arising from or related to use of the Parking Garage by Tenant and Tenant's Agents. Landlord reserves the right to assign specific parking spaces and to reserve parking spaces (other than the Reserved Spaces, if any) for visitors, small cars, persons with disabilities, and for other tenants or third parties from time to time and neither Tenant nor Tenant's Agents shall park in any location designated by Landlord for such purposes. Landlord reserves the right to establish in the rules and regulations for the Parking Garage and impose reasonable fines for any violation of the rules and regulations relating to parking by Tenant or any of Tenant's Agents. Tenant shall promptly pay, upon written demand by Landlord, any fine so established from time to time by Landlord for any violation of the rules and regulations relating to parking by Tenant or any of Tenant's Agents. In the event Tenant surrenders any or all of the Parking Spaces under the Lease, as amended hereby, during the Extended Term, Tenant shall have no further right under the Lease, as amended hereby, to use such Parking Spaces. Tenant hereby acknowledges and agrees that expenses related to the Parking Garage are specifically included in Operating Expenses and such expenses are not offset by Landlord in any way by any charges or fees paid by Tenant or other tenants or guests in the Building to Landlord.

11. **ATM.** Following the Substitution Effective Date, Tenant shall have the right, subject to the provisions hereof, to install and operate, at Tenant's sole cost and expense, one (1) "point-of-sale" electronic fund transfer processing system utilizing debit and credit cards (which system together will all related equipment, wiring, accessories and identifying signage, shall hereinafter be defined individually as an "**ATM**") in a location where Citibank's ATM is currently located, as depicted on **Exhibit C-1** attached hereto. Landlord shall use commercially reasonable efforts to remove Citibank's ATM on or before the date that is thirty (30) days following the Substitution Effective Date and Tenant shall have no right to install the ATM until Citibank's ATM is so removed.

(a) **Compliance with Paragraph 6.** The installation of the ATM shall comply with the provisions of Paragraph 6 of the Lease and this Section 11; provided, however, that Tenant shall be required to provide at least sixty (60) days' prior written notice to Landlord of Tenant's proposed installation of the ATM. Tenant shall reimburse Landlord for any reasonable costs associated with Landlord's review and supervision of Tenant's plans and specifications and the installation of the ATM.

(b) **Permits and Approvals; Compliance with Laws; Taxes.** Tenant shall, at Tenant's sole cost and expense, obtain all necessary federal, state and local permits, licenses and approvals before installing the ATM. Tenant shall, at Tenant's sole cost and expense, comply with all Laws, applicable to the installation, use and operation of the ATM, including, without limitation, the Americans With Disabilities Act. Tenant shall pay all real property, personal property and any other taxes or fees assessed or imposed in connection with the ATM or the use thereof.

(c) **Maintenance.** Tenant shall maintain, at Tenant's sole cost and expense, the ATM, the areas in the immediate vicinity thereof to the extent such maintenance is required as a result of the use of the ATM and the ATM Signage (as defined below) in a clean, first-class condition and shall service the ATM and fill it with necessary cash and supplies. Tenant shall also clean its ATM supplies in the immediate area of the ATM if they are discarded by users of the ATM. Landlord shall have no responsibility for the ATM and shall not be liable for any damage or disruption to it however caused, including without limitation, due to a disruption in electrical or telecommunications service.

(d) **Signage.** Subject to Landlord's prior written approval (which shall not be unreasonably withheld), and subject to obtaining any permits or governmental or quasi-governmental approvals required for such signage, Tenant shall be permitted to install, at Tenant's sole cost and expense, reasonable and customary signage at the ATM (the "**ATM Signage**").

(e) **Access to ATMs' Security.** Tenant's employees shall be permitted access to the ATM only during normal business hours for the Building (or other times in the case of an emergency pursuant to customary practices of Landlord for the same), as the same may be established by Landlord from time to time. Tenant shall provide all security measures that are customary for similar facilities in the vicinity of ATM, including, without limitation, mirrors, surveillance cameras, door locks and adequate lighting, as may be applicable. Tenant shall pay any reasonable costs incurred by Landlord, including the costs of retaining consultants, in connection with reviewing and approving Tenant's security measures.

(f) **Restriction or Discontinuance of ATM.** Landlord may restrict the hours of operation of the ATM or require Tenant to temporarily discontinue service in connection with Landlord's maintenance and repair of the Building, or if necessary in Landlord's good faith and reasonable judgment for the security of the Building or its occupants or contents, without such action being deemed an eviction of Tenant or a disturbance of Tenant's use of the Premises or entitling Tenant to any abatement of rental or other monies.

(g) **Indemnification.** Tenant shall be responsible for assuring that the installation, maintenance, operation, use and removal of the ATM shall in no way damage any portion of the Building. Tenant agrees to be responsible for any damage or loss caused to the Building, or any of its occupants or contents, in connection with the installation, maintenance, operation, use or removal of the ATM and Tenant agrees to indemnify, defend and hold harmless Landlord and Landlord's Agents from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including, without limitation, reasonable architects', consultants and attorneys' fees (if and to the extent permitted by law), which may be imposed upon, incurred by, or asserted against Landlord or any of the Landlord's Agents in connection with the installation, maintenance, operation, use or removal of the ATM. If for any reason, the installation or use of the ATM shall result in an increase in the amount of the premiums for any insurance coverage maintained by landlord on the building, then Tenant shall be liable for the full amount of any such reasonably documented and actual increase; provided that in the event Landlord requires Tenant to pay the cost of such increase in insurance premiums pursuant to this Section, Landlord will not discriminate against Tenant in comparison with any other tenant with an ATM located at the Building.

(h) **Insurance.** Tenant shall cause the insurance policies required to be maintained by Tenant pursuant to the Lease, as amended hereby, to cover the ATM.

(i) **Removal.** Tenant shall, at Tenant's sole cost and expense, remove the ATM prior to the expiration or earlier termination of the Extended Term, as may be further extended, and restore the affected areas to their previous condition, reasonable wear and tear excepted, and the provisions of Paragraph 6 of the Lease shall apply with respect to Tenant's repair and restoration obligations described herein. Notwithstanding the foregoing to the contrary, Tenant shall repair any damage caused by such removal, including the patching of any walls and holes to match, as closely as possible, the color surrounding the areas where the ATM was installed.

(j) **No Representations.** Landlord makes no representations as to the suitability of the Building for the ATM, whether or not an ATM may be installed under applicable zoning ordinances or other laws, or to the safety or security of the Building and how the same would be affected by the installation of the ATM.

12. **Holding Over**. If Tenant continues to occupy the Original Premises after the Original Premises Vacation Date (except as expressly provided in Section 1(b) with respect to a Force Majeure Event), occupancy of the Original Premises subsequent to the Original Premises Vacation Date shall be considered a holding over and the provisions of Paragraph 23 of the Lease shall apply. No holding over by Tenant in the Original Premises or payments of money by Tenant to Landlord after the Original Premises Vacation Date shall be construed to prevent Landlord from recovery of immediate possession of the Original Premises by summary proceedings or otherwise. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims made by any other tenant or prospective tenant against Landlord for delay by Landlord in delivering possession of the Original Premises to such other tenant or prospective tenant.

13. **Option to Renew.** During the Extended Term, Tenant shall continue to have the option to renew the Term of the Lease in accordance with and subject to the terms and conditions set forth in Paragraph 41 of the Lease; provided that (a) the definition of the "Extension Term" set forth in Paragraph 41 of the Lease is hereby amended to be a period of seven (7) years commencing upon the expiration of the Extended Term (the "**Second Extension Term**"), (b) all references to "Extension Term" set forth in Paragraph 41 of the Lease are hereby amended to mean and refer to the Second Extension Term, (c) notwithstanding anything to the contrary set forth in Paragraph 41 of the Lease, Tenant shall deliver its Exercise Notice not earlier than twelve (12) full calendar months prior to the expiration of the Extended Term and not less than ten (10) full calendar months prior to the expiration of the Extended Term, and (d) no provisions relating to the initial delivery of the Substitution Space to Tenant (including, without limitation, any Landlord construction obligations or tenant improvement allowance provisions) shall be applicable to the Second Extension Term. Notwithstanding anything to the contrary set forth in the Lease, Tenant's renewal option pursuant to this Section 13 shall be personal to the originally named Tenant hereunder and to a Bank Transferee so long as such Bank Transferee shall have a net worth which is at least equal to the greater of Tenant's net worth at the date of this Amendment or Tenant's net worth as of the day prior to the assignment of the Lease to such Bank Transferee.

14. **Other Pertinent Provisions.** Landlord and Tenant agree that, effective as of the date of this Amendment, the Lease shall be amended in the following additional respects:

(a) **Waivers.**

(i) Tenant hereby waives any and all rights under and benefits of Section 1950.7 (Security Deposit) of the California Civil Code, and Section 1265.130 (Condemnation) of the California Code of Civil Procedure, or any similar or successor Laws now or hereinafter in effect.

(ii) TENANT HEREBY WAIVES ANY AND ALL RIGHTS CONFERRED BY SECTION 3275 OF THE CIVIL CODE OF CALIFORNIA AND BY SECTIONS 1174 (C) AND 1179 OF THE CODE OF CIVIL PROCEDURE OF CALIFORNIA AND ANY AND ALL OTHER LAWS AND RULES OF LAW FROM TIME TO TIME IN EFFECT DURING THE LEASE TERM, AS AMENDED HEREBY, PROVIDING THAT TENANT SHALL HAVE ANY RIGHT TO REDEEM, REINSTATE OR RESTORE THIS LEASE FOLLOWING ITS TERMINATION BY REASON OF TENANT'S BREACH. TENANT ALSO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THE LEASE, AS HEREBY AMENDED.

(b) **Remedies.** Paragraph 18(c) of the Lease is hereby amended to add the following after the first sentence thereof: "Landlord shall have the remedy described in California Civil Code Section 1951.4 ("Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations"), or any successor code section."

(c) **Existing Tenant Improvements.** Tenant hereby acknowledges that Landlord has fulfilled all of its obligations with respect to the tenant improvement work set forth in Paragraph 38 of the Lease.

(d) **Deletions.** Paragraph 37 (Termination Right) and Paragraph 39 (Right of First Offer) of the Lease are hereby deleted in their entireties and shall be of no further force and effect.

(e) **CPI Notice Contest.** The seventh (7^{th}) sentence of Paragraph 4(e) of the Lease is hereby deleted in its entirety and replaced with the following: "Unless Tenant notifies Landlord of Tenant's objection to the Base Rent set forth in an Adjustment Notice within thirty (30) days after delivery thereof, Tenant shall be deemed to have accepted the correctness of Landlord's determination of the Base Rent."

(f) **Alterations.** Notwithstanding anything to the contrary contained in Paragraph 6(b) of the Lease, as of the Original Premises Vacation Date, Landlord will not require Tenant to remove any of the alterations, improvements or changes currently existing in the Original Premises other than the safe currently located therein. In addition, Tenant shall have no obligation to remove any of the Tenant Improvements in the Substitution Space described on the Space Plans as of the date hereof or to remove the vault currently located in the Substitution Space. With respect to any Tenant Improvements constructed by Tenant pursuant to **Exhibit B** attached hereto that are not described on the Space Plans as of the date hereof, notwithstanding anything to the contrary contained in Paragraph 6(b) of the Lease, so long as Tenant's written request for consent for such Tenant Improvements expressly requests that Landlord inform Tenant whether Landlord shall require such Tenant Improvements to be removed at the expiration or earlier termination of the Lease, at the time Landlord gives its consent for the Tenant Improvements, if it so does, Tenant shall also be notified whether or not Landlord will require that the Tenant Improvements (or any portion thereof) be removed upon the expiration or earlier termination of the Lease. If Tenant's written notice strictly complies with the foregoing and if Landlord fails to notify Tenant whether Tenant shall be required to remove the subject Tenant Improvements at the expiration or earlier termination of the Lease within ten (10) business days following Tenant's request, it shall be assumed that Landlord shall require the removal of such Tenant Improvements, except as otherwise agreed to in writing by Landlord. Notwithstanding the foregoing, Tenant may, within ten (10) days following the expiration of the ten (10) business day period described above, provide to Landlord a second written notice which shall comply with the requirements stated above in this Section. If Tenant's second written notice strictly complies with the terms of this Section and if (a) Landlord fails to notify Tenant within five (5) business days of Landlord's receipt of such second written notice whether Tenant shall be required to remove the subject Tenant Improvements at the expiration or earlier termination of the Lease, and (b) the subject Tenant Improvements are Building standard office improvements substantially similar to the Tenant Improvements described on the Space Plans as of the date hereof, Tenant shall not be require to remove the subject Tenant Improvements at the expiration or earlier termination of the Lease.

(g) **Insurance.** Paragraph 8 of the Lease is hereby deleted in its entirety and replaced by the following:

“8. **Insurance.**

(a) Tenant shall maintain in full force and effect at all times during the Term (including any extension(s)), at its own expense, for the protection of Tenant and Landlord, as their interests may appear, policies of insurance issued by a responsible carrier or carriers reasonably acceptable to Landlord, which afford the following coverages: (i) Workers’ Compensation and occupational disease insurance, employee benefit insurance or any other insurance in the statutory amounts required by the laws of the state in which the Building is located, with broad form all-states endorsement and employer’s liability insurance with a limit of $1,000,000.00 for each accident; (ii) Commercial General Liability insurance with respect to the Premises and the business operated by Tenant and any subtenants, licenses and concessionaires of Tenant, including coverage for bodily injury, personal injury and death, property damage and contractual liability recognizing provisions of this Lease written on an occurrence form with limits of not less than $1,000,000.00 for each occurrence and $3,000,000.00 general aggregate per location, naming Landlord, Landlord’s Agents, and Landlord’s lender as additional insureds; (iii) Automobile Liability Policy, covering all owned, non-owned, borrowed or hired vehicles, including loading and unloading thereof, with a combined single limit of $1,000,000 for bodily injury and property damage arising out of ownership, maintenance or use of any auto; (iv) “All Risk” insurance against fire with extended coverage, vandalism, malicious mischief and all risk endorsements (Special Form), including terrorism, in an amount adequate to cover the full replacement value of all alterations, improvements and additions to the Premises made by or on behalf of Tenant, including the Tenant Improvements, Tenant’s personal property, fittings, installations, decorations, alterations, betterments, contents and signs, plate glass for all plate glass at the Premises and any other personal property in or on the Premises in the event of fire or other casualty; (v) Business Interruption insurance sufficient to reimburse Tenant for direct or indirect costs (including rental obligations) and loss of income attributable to all events/perils or to prevention of access to the Premises or to the Property as a result of such perils; and (vi) Business Interruption insurance (including Extra Expense) fully compensating for the amount of charges and additional rent owned to Landlord by Tenant for a period of not less than twelve (12) months. Tenant’s insurance pursuant to clause (iv) above shall be in the full amount of the replacement cost, reviewed on an annual basis to account for inflation, and shall name Landlord, Landlord’s Agents and Landlord’s lender as additional insureds.

(b) All insurance shall be in a form reasonably satisfactory to Landlord. All policies shall consist of “occurrence” based coverage, without provision for subsequent conversion to “claims” based coverage. All policies required by Paragraph 8(a) shall be carried with companies that have a general policy holder’s rating of not less than “A” and a financial rating of not less than Class “X” in the most current edition of Best’s Insurance Reports and shall not provide for a deductible under co-insurance provision in excess of $10,000.00. All policies required by Paragraph 8(a) shall provide that the policies shall not be subject to reduction or cancellation except after at least thirty (30) days’ prior written notice to Landlord, and they shall be primary as to Landlord. If Tenant fails to procure and maintain the insurance required hereunder, Landlord may, but shall not be required to, order such insurance at Tenant’s expense and Tenant shall reimburse Landlord for the same. Such reimbursement shall include all sums incurred by Landlord, including reasonable attorneys’ fees. Landlord makes no representation that the limits of liability specified to be carried by Tenant under the terms of this Lease are adequate to protect Tenant or Landlord, and in the event Tenant believes that any such insurance coverage called for under this Lease is insufficient, Tenant shall provide, at its own expense, such additional insurance as Tenant deems adequate. Tenant shall give prompt written notice to Landlord in the case of a casualty, accident or repair needed in the Property.

(c) Landlord shall keep in force throughout the Term General Liability coverage for the common areas of the Building in such amounts and with such deductibles as Landlord determines from time to time in accordance with sound and reasonable risk management principles and Special Form Property coverage for the Building at 100% of replacement cost. The carrying of the insurance described herein shall in no way be interpreted as relieving Tenant of any responsibility or liability under this Lease. The cost of all such insurance is included in Operating Expenses. Notwithstanding anything to the contrary contained in this Lease, Landlord, on its own behalf and on behalf of Landlord's Agents, hereby waives all rights of recovery against Tenant on account of loss and damage occasioned to Landlord and Landlord's Agents for its property or the property of others under its control to the extent that such loss or damage is insured against (or required to be insured against pursuant to this Lease) under any insurance policies which may be in force at the time of such loss or damage provided that such waiver by Landlord shall not extend to the amount of any reasonable deductibles on any insurance coverage carried by Landlord. Tenant hereby waives all rights of recovery against Landlord and Landlord's Agents on account of loss and damage occasioned to Tenant or its property or the property of others under its control to the extent that such loss or damage is insured against (or required to be insured against pursuant to this Lease) under any insurance policies which may be in force at the time of such loss or damage. Tenant and Landlord shall, upon obtaining policies of insurance required hereunder, give notice to the insurance carrier that the foregoing mutual waiver of subrogation is contained in this Lease and Tenant and Landlord shall cause each insurance policy obtained by such party to provide that the insurance company waives all right of recovery by way of subrogation against either Landlord and Landlord's Agents or Tenant in connection with any damage covered by such policy."

(h) **Insurance Certificate.** Not later than thirty (30) days prior to the Substitution Effective Date, Tenant shall provide Landlord with a certificate of insurance evidencing that the Substitution Space is covered by Tenant's insurance required pursuant to Paragraph 8 of the Lease, as amended pursuant to Section 14(g) above, and thereafter as necessary to assure that Landlord always has current certificates evidencing Tenant's insurance.

(i) **Maintenance.** Subject to the limitation set forth in the second sentence of Paragraph 9(a) of the Lease, in addition to Landlord's maintenance obligations pursuant to such paragraph, Landlord shall maintain the structural parts of the Building (of which the Premises is a part), which structural parts include only the foundation and the roof of the Building and, except to the extent any repair is caused by the acts of omissions of Tenant or any Tenant's Agents, the subflooring and load bearing walls of the Building and the Premises. The cost of such maintenance shall be included in Operating Expenses to the extent permitted pursuant to the terms of the Lease.

(j) **Destruction of Premises.** The second to the last sentence of Paragraph 12(b) of the Lease is hereby deleted in its entirety and replaced by the following:

"If Landlord determines that the repair and restoration work to be performed by Landlord in accordance with Paragraph 12(a) hereof cannot, as reasonably estimated by Landlord (the "**Completion Estimate**"), be completed such that the Premises or any Common Areas necessary to provide access to the Premises cannot be made tenantable within one hundred eighty (180) days from the date the repair is started, then Tenant shall have the right to terminate this Lease upon written notice to the other within ten (10) days after receipt of the Completion Estimate. Tenant, however, shall not have the right to terminate this Lease if the Casualty was caused by the negligence or intentional misconduct of Tenant or any Tenant's Agents. In addition, Tenant shall have the right to terminate this Lease if: (a) a substantial portion of the Premises has been damaged by fire or other casualty and such damage cannot reasonably be repaired (as reasonably determined by Landlord) within sixty (60) days after Landlord's receipt of all required permits to restore the Premises; (b) there is less than one (1) year of the Term remaining on the date of such casualty; (c) the casualty was not caused by the negligence or willful misconduct of Tenant or Tenant's Agents; and (d) Tenant provides Landlord with written notice of its intent to terminate within thirty (30) days after the date of the fire or other casualty. If neither party exercises the right to terminate this Lease in accordance with this Paragraph 12(b), Landlord shall repair such damage and restore the Building and the Premises in accordance with Paragraph 12(a) hereof and this Lease shall, subject to Paragraph 12(a) hereof, remain in full force and effect."

(k) **Capital Improvements.** Notwithstanding anything to the contrary set forth in the Lease, Operating Expenses shall not include any capital improvements except for those capital improvements expressly included in Operating Expenses pursuant to Paragraph 34(b) of the Lease.

18. **Miscellaneous.**

(a) This Amendment, including **Exhibits A** (Outline and Location of Substitution Space), **B** (Tenant Alterations), **B-1** (Space Plans), **C-1** and **C-2** (Location of Building Signage and ATM) and **D** (Location of Reserved Spaces) attached hereto, sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment.

(b) Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

(c) In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

(d) Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.

(e) The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.

(f) Tenant hereby represents to Landlord that Tenant has dealt with no broker in connection with this Amendment other than Colliers International representing Landlord. Tenant agrees to indemnify and hold Landlord, its members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents (collectively, the "**Landlord Related Parties**") harmless from all claims of any brokers claiming to have represented Tenant in connection with this Amendment.

(g) Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.

(h) Redress for any claim against Landlord under the Lease and this Amendment shall be limited to and enforceable only against and to the extent of Landlord's interest in the Building (as defined in the Lease). The obligations of Landlord under the Lease, as amended, are not intended to and shall not be personally binding on, nor shall any resort be had to the private properties of, any of its trustees or board of directors and officers, as the case may be, its property manager, the general partners thereof, or any beneficiaries, stockholders, employees, or agents of Landlord or the property manager.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have entered into and executed this Amendment as of the date first written above.

LANDLORD:

PAOC, LLC,
a Delaware limited liability company

By: ____________________

Name: ____________________

Title: ____________________

Dated: ______________________________, 2006

TENANT:

BRIDGE BANK OF SILICON VALLEY N.A.,
a federally chartered national bank

By: ____________________

Name: ____________________

Title: ____________________

Dated: ____________________________, 2006

EXHIBIT A

OUTLINE AND LOCATION OF SUBSTITUTION SPACE

EXHIBIT B

TENANT IMPROVEMENTS

1. Tenant, following the later of (i) full and final execution and delivery of the Amendment to which this Exhibit is attached and all prepaid rental and insurance certificates required under the Amendment and (ii) the Substitution Effective Date, shall have the right to perform Tenant Improvements to the Substitution Space. The Substitution Space is referred to herein as the "Premises." Notwithstanding the foregoing, Tenant and its contractors shall not have the right to perform the Tenant Improvements in the Premises unless and until Tenant has complied with all of the terms and conditions of Paragraph 6 of the Lease, including, without limitation, approval by Landlord of the final plans for the Tenant Improvements and the contractors to be retained by Tenant to perform such Tenant Improvements. Landlord approves the space plans attached as **Exhibit B-1** (the "**Space Plans**"). Tenant shall be responsible for all elements of the design of Tenant's plans (including, without limitation, compliance with Law, functionality of design, the structural integrity of the design, the configuration of the premises and the placement of Tenant's furniture, appliances and equipment), and Landlord's approval of Tenant's plans shall in no event relieve Tenant of the responsibility for such design. Tenant's plans for the Substitution Space shall include any safe, fireproof files night drop vault. The plans shall also include the ATM if Tenant desires to install the ATM in connection with the Tenant Improvements (subject to the terms and conditions set forth in Section 11 of the Amendment); otherwise Tenant shall comply with the terms of the Amendment and the Lease at such time that Tenant might desire to install the ATM. The parties agree that Landlord's approval of the general contractor to perform the Tenant Improvements shall not be considered to be unreasonably withheld if any such general contractor (a) does not have trade references reasonably acceptable to Landlord, (b) does not maintain insurance as required pursuant to the terms of this Lease, (c) does not have the ability to be bonded for the work in an amount of no less than 150% of the total estimated cost of the Tenant improvements, (d) does not provide current financial statements reasonably acceptable to Landlord, or (e) is not licensed as a contractor in the state/municipality in which the Premises is located. Tenant acknowledges the foregoing is not intended to be an exclusive list of the reasons why Landlord may reasonably withhold its consent to a general contractor. Notwithstanding the foregoing, Landlord hereby approves SC Builders as the general contractor for the Tenant Improvements.

2. Provided Tenant is not in default under the Lease as amended, Landlord agrees to contribute the sum of **$201,425.00** (i.e., $35.00 per useable square foot of the Premises) (the "**Allowance**") toward the cost of performing the Tenant Improvements. The Allowance may only be used for the cost of preparing design and construction documents and mechanical and electrical plans for the Tenant Improvements and for hard costs in connection with the Tenant Improvements. The Allowance shall be paid to Tenant or, at Landlord's option, to the order of the general contractor that performed the Tenant Improvements, within thirty (30) days following receipt by Landlord of (a) receipted bills covering all labor and materials expended and used in the Tenant Improvements; (b) a sworn contractor's affidavit from the general contractor and a request to disburse from Tenant containing an approval by Tenant of the work done; (c) full and final waivers of lien; (d) as-built plans of the Tenant Improvements; and (e) the certification of Tenant and its architect that to the best of their knowledge after due inquiry, the Tenant Improvements have been installed in accordance with the approved plans, and in accordance with applicable laws, codes and ordinances. The Allowance shall be disbursed in the amount reflected on the receipted bills meeting the requirements above. Notwithstanding anything herein to the contrary, Landlord shall not be obligated to disburse any portion of the Allowance during the continuance of an uncured default under the Lease, and Landlord's obligation to disburse shall only resume when and if such default is cured.

3. In no event shall the Allowance be used for the purchase of equipment, furniture or other items of personal property of Tenant. If Tenant does not submit a request for payment of the entire Allowance to Landlord in accordance with the provisions contained in this Exhibit by the later of (a) December 31, 2007 and (b) the date that is twelve (12) months following the Substitution Effective Date, any unused amount shall accrue to the sole benefit of Landlord, it being understood that Tenant shall not be entitled to any credit, abatement or other concession in connection therewith. Tenant shall be responsible for all applicable state sales or use taxes, if any, payable in connection with the Tenant Improvements and/or Allowance.

4. Tenant agrees to accept the Premises in its "as-is" condition and configuration, it being agreed that Landlord shall not be required to perform any work or, except as provided above with respect to the Allowance, incur any costs in connection with the construction or demolition of any improvements in the Premises.

5. This Exhibit shall not be deemed applicable to any additional space added to the Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the original Premises or any additions to the Premises in the event of a renewal or extension of the original Term of the Lease, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease.

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EXHIBIT B-1

SPACE PLANS

EXHIBIT C-1

LOCATION OF BUILDING SIGNAGE AND ATM

EXHIBIT C-2

APPROVED SIGN SPECIFICATIONS

EXHIBIT D

<u>LOCATION OF LEVEL A AND LEVEL B RESERVED SPACES</u>

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Section 4: EX-21

EXHIBIT 21

Subsidiaries of the Registrant

Name of Subsidiary	Jurisdiction of Formation
Bridge Bank, National Association	United States
Bridge Capital Holdings Trust I	California
Bridge Capital Holdings Trust II	California

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Section 5: EX-23.1

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 of Bridge Capital Holdings (Nos. 333-123388 and 333-137745) of our report dated March 3, 2008 relating to the financial Statements, which appears in this Form 10-K.

Vavrinek Trine Day + Co. LLP

Palo Alto, California

March 6, 2008

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Section 6: EX-31.1

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO Rule 13a-14(a)/15(d)-14(a)

I, Daniel P. Myers, certify that:

1. I have reviewed this annual report on Form 10-K of Bridge Capital Holdings for the year ended December 31, 2007;

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 fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 the 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 6, 2008	/s/ Daniel P. Myers
	Daniel P. Myers
	President
	Chief Executive Officer
	(Principal Executive Officer)

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Section 7: EX-31.2

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO Rule 13a-14(a)/15(d)-14(a)

I, Thomas A. Sa, certify that:

1. I have reviewed this annual report on Form 10-K of Bridge Capital Holdings for the year ended December 31, 2007;

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 fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 the 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 6, 2008	/s/ Thomas A. Sa
	Thomas A. Sa Executive Vice President Chief Administrative Officer Chief Financial Officer (Principal Financial Officer)

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Section 8: EX-32.1

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Annual Report on Form 10-K of Bridge Capital Holdings for the year ended December 31, 2007, I, Daniel P. Myers, President and Chief Executive Officer of Bridge Capital Holdings, 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) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of Bridge Capital Holdings.

Date: March 6, 2008	/s/ Daniel P. Myers
	Daniel P. Myers
	President
	Chief Executive Officer
	(Principal Executive Officer)

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Section 9: EX-32.2

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Annual Report on Form 10-K of Bridge Capital Holdings for the year ended December 31, 2007, I, Thomas A. Sa, Executive Vice President and Chief Financial Officer of Bridge Capital Holdings, 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) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of Bridge Capital Holdings.

Date: March 6, 2008	/s/ Thomas A. Sa
	Thomas A. Sa
	Executive Vice President

Chief Administrative Officer
Chief Financial Officer
(Principal Financial Officer)

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