



**FOR IMMEDIATE RELEASE**

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### **Stonebridge Financial Corp. Reports Third Quarter and Year-to-Date Results**

WEST CHESTER, Pa., November 6, 2009/PRNewswire-FirstCall/ -- Stonebridge Financial Corp., the parent company of Stonebridge Bank, reported a net loss of \$1.6 million, or \$0.55 per diluted share, for the three months ended September 30, 2009. In comparison, the Company reported net income of \$494,000, or \$0.15 per diluted share, for the same period in 2008.

For the nine months ended September 30, 2009, Stonebridge Financial Corp. reported a loss of \$1.1 million compared to net income of \$634,000 for the same period in 2008. Diluted losses per share were \$0.49 compared to diluted earnings per share of \$0.20 for the same period in 2008.

As of September 30, 2009, Stonebridge's total assets were \$470.7 million and total deposits were \$354.9 million. From a regulatory capital standpoint, Stonebridge Bank continues to be "well capitalized" under all guidelines imposed by financial institution regulators. Stonebridge Bank's Tier 1 Risk-Based Capital and Total Risk-Based Capital Ratios are 11.1 percent and 12.3 percent, respectively, compared to 8.9 percent and 10.2 percent at December 31, 2008.

"Our poor results in the third quarter revolve around construction and development loans that are not performing as agreed, and resulted in large provisions for loan losses. We had two loans in our portfolio that required us to set aside large loan loss reserves," said Joseph C. Spada, President and Chief Executive Officer. "Looking forward, we see many of our customers struggling and the value of collateral continuing to deteriorate. Though we are making progress in resolving the problems associated with our delinquent loans, it is a slow process and we expect the negative impact on earnings will continue well into 2010."

Loans net of unearned income, decreased \$34.6 million, or 9.0 percent to \$347.8 million at September 30, 2009, compared to \$382.3 million at December 31, 2008. The allowance for loan losses as of September 30, 2009 was \$6.6 million, which represented 1.90 percent of total loans outstanding, compared to 1.62 percent at December 31, 2008. Non-performing assets were \$27.3 million, or 5.80 percent of total assets, at September 30, 2009, compared to \$16.6 million, or 3.42 percent, at December 31, 2008.

For the three months ended September 30, 2009, net charge-offs on an annualized basis were 3.04 percent of average total loans, compared to 0.16 percent for the same period in 2008. For the nine months ended September 30, 2009, net charge-offs on an annualized

basis were 1.29 percent of average total loans, compared to 0.17 percent for the same period in 2008.

The provision for loan losses was \$3.3 million in the third quarter of 2009, as compared to \$375,000 for the same period in 2008. For the nine months ended September 30, 2009, the provision for loan losses was \$4.0 million, as compared to \$1.0 million for the same period in 2008.

Total deposits declined \$4.2 million or 1.2% to \$354.9 million at September 30, 2009, compared to December 31, 2008. Time deposits decreased \$3.9 million or 1.5%; checking accounts decreased \$1.1 million, or 12.5 percent; non-interest bearing demand deposits decreased \$1.0 million, or 8.2 percent. These decreases were partially offset by a \$1.8 million, or 2.4 percent increase in money market accounts.

For the three months ended September 30, 2009, the net interest margin on a fully taxable equivalent basis was 2.43 percent, compared to 2.78 percent for the same period in 2008. Net interest income for the third quarter of \$2.7 million decreased \$0.5 million compared to the same period of 2008.

For the nine months ended September 30, 2009, the net interest margin on a fully taxable equivalent basis was 2.42 percent, compared to 2.67 percent for the same period in 2008. Net interest income for the nine months ended September 30, 2009, of \$8.3 million decreased \$0.9 million compared to the same period of 2008.

Non-interest income, excluding investment gains and losses, decreased \$8,000, or 5.0 percent, for the third quarter of 2009 compared to the third quarter of 2008. For the nine months ended September 30, 2009, non-interest income, excluding investment gains and losses, decreased \$61,000, or 10.8 percent compared to the same period in 2008.

For the three months ended September 30, 2009, there was \$426,000 in gains on investment securities compared to gains of \$0 for the same period of 2008. Other than temporary impairment (OTTI) charges on investment securities for the third quarter of 2009 were \$166,000 compared to no other than temporary impairment (OTTI) charges on investment securities for the same period in 2008.

For the nine months ended September 30, 2009, there was \$427,000 in gains on the sale of investment securities compared to losses of \$555,000 for the same period of 2008. The losses recorded in 2008 contain charges of \$740,000 relating to the redemption of an equity security. Other than temporary impairment (OTTI) charges on investment securities for the nine months ended September 30, 2009, were \$166,000 compared to \$0 for the same period in 2008.

Non-interest expense decreased \$73,000, or 3.1 percent, compared to the third quarter of 2008. For the nine months ended September 30, 2009, non-interest expense increased \$83,000, or 1.2 percent.

Stonebridge Financial Corp.  
**SELECTED BALANCE SHEET DATA** (unaudited)  
(Dollars in thousands, except per share data)

			Percent change from		
	September 30 2009	December 31 2008	September 30 2008	Dec 31 2008	Sept 30 2008
Securities	\$ 95,106	\$ 96,501	\$ 96,134	-1.4%	-1.1%
Loans	347,760	382,333	385,230	-9.0%	-9.7%
Allowance for loan losses	6,562	6,179	3,975	6.2%	65.1%
Total assets	470,696	487,339	492,964	-3.4%	-4.5%
Total deposits	354,914	359,069	349,448	-1.2%	1.6%
Stockholders' equity	31,211	20,947	22,214	49.0%	40.5%
Number of common shares outstanding	3,202,064	3,174,877	3,181,627	0.9%	0.6%
Book value per common share	\$ 6.30	\$ 6.60	\$ 6.98	-4.5%	-9.7%

Stonebridge Financial Corp.  
**SELECTED OPERATING STATEMENT DATA** (unaudited)  
(in thousands, except per share data)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest income	\$ 5,979	\$ 7,513	\$ 18,832	\$ 22,437
Interest expense	3,243	4,248	10,519	13,272
Net interest income	2,736	3,265	8,313	9,165
Provision for loan losses	3,300	375	3,950	1,022
Non-interest income	413	161	767	12
Non-interest expense	2,298	2,371	6,987	6,904
Pre-tax income (loss)	(2,449)	680	(1,857)	1,251
Income tax expense (benefit)	(872)	186	(776)	617
Net income (loss)	\$ (1,577)	\$ 494	\$ (1,081)	\$ 634
Preferred dividends	177	-	488	-
Net income (loss) attributable to common shareholders	\$ (1,754)	\$ 494	\$ (1,569)	\$ 634
Earnings (loss) per share- basic	\$ (0.55)	\$ 0.16	\$ (0.49)	\$ 0.20
Earnings(loss) per share- diluted	\$ (0.55)	\$ 0.15	\$ (0.49)	\$ 0.20

**Cautionary Statement**

This news release may contain “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Act of 1995, such as statements of the Corporation’s goals, targets, plans, expectations, projections, estimates and intentions. Stonebridge Financial Corp. cautions potential investors that results and events subject to forward-looking statements could differ materially due to the following factors: possible changes in economic and business conditions, possible changes in monetary and fiscal policies, laws and regulation; possible changes in credit worthiness of customers and the possible impairment of loans; the effects of changing interest rates and other risks and factors.

**About Stonebridge Financial Corp.**

Stonebridge Bank is positioned as the Delaware Valley's Local Internet Bank™, combining community banking with advanced online technology. Based in West Chester, PA, Stonebridge Bank serves commercial banking customers through its four full-service banking offices in West Chester, Exton, Warminster and Blue Bell, PA, and a loan production office in Bel Air, MD. In addition, Stonebridge Bank offers customers around the nation a complete range of retail banking services through its website, [www.stonebridgebank.com](http://www.stonebridgebank.com).

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