



FOR IMMEDIATE RELEASE

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Stonebridge Financial Corp. Announces Decrease in Second Quarter and Year-to-Date Results Due to Impairment Charge

WEST CHESTER, Pa., July 24, 2008 -- Stonebridge Financial Corp., the parent company of Stonebridge Bank™, reported a second quarter 2008 net loss totaling \$296 thousand, or \$0.09 per diluted share compared to \$503 thousand earned in the second quarter of 2007, or diluted earnings per share of \$0.16. Included in the second quarter and year-to-date 2008 results was a charge of \$829,000 to earnings relating to a mutual fund investment.

Net income was \$141,000 for the six months ended June 30, 2008, compared to \$1.0 million for the same period in 2007. Diluted net income per share was \$0.04 compared to \$0.32 for the same period in 2007.

During the second quarter, the Bank terminated its investment in the Shay AMF Ultra Short Mortgage Fund (the "Fund") because of the continuing decline in the net asset value ("NAV") of the fund as well as the recent credit rating downgrades of certain non-agency private label mortgage backed securities held by the Fund. Rather than continue as an investor in the Fund, the Bank elected to redeem its shares in the Fund and received a pro rata distribution of the securities held by the Fund on June 26, 2008. As a result, the Bank incurred an \$829,000 charge to earnings

The following other significant events have occurred recently:

- Increased net interest income 9.8 percent in the second quarter of 2008 and 10.2 percent for the first half of 2008 compared to the same periods in 2007;
- Paid a cash dividend of \$.10 per share;
- Increased net loans 9.7 percent since year-end; and
- Increased total deposits 7.3 percent since year-end;

As of June 30, 2008, Stonebridge's total assets were \$487.5 million, total loans outstanding grew to \$376.4 million and total deposits were \$345.5 million. The allowance for loan losses as of June 30, 2008 was \$3.8 million, which represented 1.00 percent of total loans outstanding.

Commenting on second quarter 2008, Joseph C. Spada, Stonebridge President and Chief Executive Officer, said, "Despite the impairment charge taken on the Shay AMF Ultra-Short Mortgage Fund and its impact on earnings, we continue to be pleased with the Bank's loan and deposit growth and the contribution our new Blue Bell office is making to that growth."

Loans increased \$33.4 million or 9.7 percent to \$376.4 million at June 30, 2008, compared to \$343.0 million at December 31, 2007. This increase was primarily realized in commercial and commercial real estate loans, which increased \$38.9 million, while repayments of loans purchased from others totaled \$8.5 million.

Non-performing assets were \$4.1 million, or 0.85 percent of total assets, at June 30, 2008, compared to \$2.6 million, or 0.57 percent, at December 31, 2007. The majority of the non-performing loans are well secured with real estate and appropriate loan loss reserves have been established for any potential losses.

Net charge-offs for the quarter ended June 30, 2008 were 0.29 percent of average total loans, compared to net charge-offs of 0.07 percent for the quarter ended June 30, 2007. For the six months ended June 30, 2008, net charge-offs were 0.17 percent of average total loans, compared to net charge-offs of 0.08 percent for the same period in 2007.

Total deposits increased \$23.5 million, or 7.3 percent to \$345.5 million at June 30, 2008, compared to \$322.0 million at December 31, 2007. Money market accounts increased \$11.4 million, time deposits increased \$8.2 million and demand deposits increased \$3.9 million.

For the three months ended June 30, 2008, the net interest margin on a fully taxable equivalent basis was 2.64 percent, compared to 2.78 percent for the same period in 2007. Net interest margin on a fully taxable equivalent basis was 2.62 percent for the six months ended June 30, 2008, compared to 2.73 percent for the same period in 2007.

Net interest income of \$3.0 million for the quarter ended June 30, 2008 increased \$268,000, or 9.8 percent compared to the second quarter of 2007. For the six months ended June 30, 2008, net interest income was \$5.9 million compared to \$5.4 million for the same period in 2007. These increases were primarily due to the growth of our internally generated loans and the overall growth of the Bank.

The provision for loan losses was \$347,000 for the quarter ended June 30, 2008, compared to \$120,000 for the same period in 2007. For the six months ended June 30, 2008, the provision for loan losses was \$647,000 compared to \$195,000 for the same period in 2007. The higher provisions were due in large part to the growth in the loan portfolio generated by our Blue Bell office.

Non-interest income was (\$522,000) for the quarter ended June 30, 2008, compared to \$240,000 in 2007. This decrease was primarily due to the impairment charge taken on the Fund as previously noted. In the second quarter of 2008, non-interest expense decreased \$23,000 over the same period in 2007 primarily due to a decrease in incentive

compensation expense and a reduction in the allowance for off balance sheet credit exposures.

Non-interest income was (\$149,000) for the six months ended June 30, 2008, compared to \$419,000 in 2007. This decrease was primarily due to the impairment charge taken on the Fund as previously noted. In the second quarter of 2008, non-interest expense increased \$312,000 over the same period in 2007 primarily due to increased salary and operating expenses from the addition of a new branch.

Stockholders' equity decreased \$26 thousand or 0.1 percent to \$22.3 million at June 30, 2008, compared to \$22.4 million at December 31, 2007. Stonebridge Financial Corp. paid a cash dividend of \$.10 per share or \$315,000 to shareholders in June 2008.

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

	June 30 2008	December 31 2007	June 30 2007
Securities	\$ 98,109	\$ 104,489	\$ 115,214
Loans	376,428	343,001	305,386
Allowance for Loan Losses	3,755	3,310	3,224
Total Assets	487,482	457,710	434,095
Total Deposits	345,531	322,002	327,607
Stockholders' Equity	22,333	22,359	20,185
Number of Shares Outstanding	3,169,603	3,162,669	3,163,669
Book Value per Share	\$ 7.05	\$ 7.07	\$ 6.38

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income	\$ 7,376	\$ 7,205	\$ 14,924	\$ 14,147
Interest expense	4,372	4,469	9,023	8,792
Net interest income	3,004	2,736	5,901	5,355
Provision for loan and lease losses	347	120	647	195
Non-interest income (loss)	(522)	240	(149)	419
Non-interest expense	2,148	2,171	4,533	4,221
Pre-tax income (loss)	(13)	685	572	1,358
Income tax expense	283	182	431	358
Net income (loss)	\$ (296)	\$ 503	\$ 141	\$ 1,000
Earnings (loss) per share- basic	\$ (0.09)	\$ 0.16	\$ 0.04	\$ 0.32
Earnings (loss) per share- diluted	\$ (0.09)	\$ 0.16	\$ 0.04	\$ 0.32

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 regulations; 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 banking customers through its four full-service banking offices in West Chester, Exton, Warminster and Blue Bell, Pennsylvania, 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.