



**FOR IMMEDIATE RELEASE**

CONTACT:

Susan H. Reeves, SVP 610-235-1505  
sreeves@stonebridgebank.com

## **Stonebridge Financial Corp. Reports 38.5% Increase in Third Quarter 2006 Earnings and Deposit Growth of 26.2% Year over Year**

West Chester, Pa. October 26, 2006 -- Stonebridge Financial Corp., parent company of Stonebridge Bank, the Delaware Valley's Local Internet Bank™, today announced earnings of \$385,000 for the quarter ended September 30, 2006, a 38.5% increase over the same quarter in 2005. Net income for the nine months ended September 30, 2006 was \$1,152,000, a decrease of \$329,000 from the nine months ended September 30, 2005.

President and CEO of Stonebridge Financial Corp. Joseph C. Spada stated: "We are extremely pleased with our outstanding deposit growth and growth in internally generated loans which resulted in increased third quarter earnings. These results go along with our strategies: focusing on core banking products; concentrating on originating loans instead of purchasing; improving customer services; and eliminating non-essential activities. Our goals for 2006 have been to refocus the company's energies and improve performance."

Total assets at September 30, 2006 were \$395.9 million, an increase of \$28.2 million or 7.7% over December 31, 2005, and an increase of \$36.3 million over September 30, 2005. Loans at September 30, 2006, were \$265.2 million compared to \$258.8 million at September 30, 2005. From September 30, 2005 to September 30, 2006, loans originated by the Stonebridge lending group have increased by \$26.4 million, while repayments of loans and leases purchased from others totaled \$20.0 million. Stonebridge Bank has not purchased any loans or leases in 2006, as the Bank's strategy has been to generate loans internally.

Deposits at September 30, 2006 were \$319.7 million compared to \$253.2 million at September 30, 2005, a 26.2% increase year over year.

Net interest income for the quarter ended September 30, 2006 increased \$400,000, or 20.0% compared to the third quarter of 2005. Net interest income for the nine months ended September 30, 2006 increased \$637,000 compared to the same period in 2005. This increase was primarily due to the growth of our internally generated loans and the overall growth of the Bank.

Non-interest income was \$138,000 for the quarter ended September 30, 2006, a decrease of \$119,000 over the third quarter of the previous year. Non-interest income was \$469,000 for the nine months ended September 30, 2006, a decrease of \$500,000 compared to the same period in

2005. This decrease can be attributed to several nonrecurring events that increased non-interest income in 2005, by over \$290,000.

In the third quarter of 2006, non-interest expense increased \$204,000 to \$2.0 million over the same quarter of 2005. For the nine months ended September 30, 2006, non-interest expense of \$5.9 million increased \$473,000 compared to the same period in 2005 primarily due to increased compensation for additional employees, along with higher advertising and occupancy expenses related to the overall growth of the Bank.

Shareholders' Equity increased \$1.6 million or 8.6% from December 31, 2005 to September 30, 2006 primarily due to year to date net income and the increase in market value of the Bank's available for sale securities.

Stonebridge Financial Corp.  
 SELECTED BALANCE SHEET DATA  
 (Unaudited, in thousands)

	Sept 30, 2006	Dec 31, 2005	Sept 30, 2005
Securities	\$ 98,012	\$ 94,272	\$ 89,466
Loans	265,243	262,594	258,843
Allowance for Loan and Lease Losses	3,135	2,895	2,715
Total Assets	395,899	367,652	359,557
Total Deposits	319,653	277,487	253,196
Total Equity	19,719	18,163	18,055

Stonebridge Financial Corp.  
 SELECTED INCOME STATEMENT DATA  
 (Unaudited, in thousands)

	Three months ended		Nine months ended	
	Sept 30, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
Interest income	\$ 6,321	\$ 4,974	\$ 18,307	\$ 14,570
Interest expense	3,916	2,969	10,921	7,821
Net interest income	2,405	2,005	7,386	6,749
Provision for loan lease losses	25	107	325	287
Non-interest income	138	257	469	969
Non-interest expense	1,966	1,762	5,879	5,406
Pre-tax income	552	393	1,651	2,025
Tax expense	167	115	499	544
Net income	\$ 385	\$ 278	\$ 1,152	\$ 1,481

**Cautionary Statement**

This news release may contain “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform 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 commercial banking customers through its three full-service banking offices in West Chester, Exton and Warminster, 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](http://www.stonebridgebank.com).

##