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Stonebridge Financial Corp. Reports 31.2 percent Increase in Third Quarter Net Income

WEST CHESTER, Pa., October 22, 2007/PRNewswire-FirstCall/ -- Stonebridge Financial Corp., the parent company of Stonebridge Bank, earned \$505 thousand for the third quarter ended September 30, 2007, a 31.2 percent increase over the same period in 2006. Diluted net income per share for the quarter increased to 16 cents, a 33.3 percent increase over the 12 cents reported in 2006.

Net income was \$1.5 million for the nine months ended September 30, 2007, a 30.6 percent increase over the same period in 2006. Diluted net income per share for the first nine months of 2007 increased to 47 cents, a 30.6 percent increase over the 36 cents reported in 2006.

Commenting on third quarter 2007, Joseph C. Spada, Stonebridge President and Chief Executive Officer, said, "We are pleased with the increase in net income from last year despite the flat interest rate environment and our ability to grow both loans and deposits in a very competitive market area. We have been fortunate to avoid any direct investments in the sub-prime mortgage market area. However, the impact of this is being felt throughout the housing industry and other segments of the economy and has resulted in recent movements in interest rates by the Federal Reserve. These changes may foreshadow a slowing in economic activity which could impact our growth in future periods. We will continue to address these challenges and remain excited about the future of our company."

Stonebridge's third quarter earnings produced annualized returns on average assets and average stockholders' equity of 0.45 percent and 9.73 percent, respectively. For the same period in 2006, the annualized returns on average assets and average stockholders' equity were 0.40 percent and 8.04 percent, respectively.

As of September 30, 2007, Stonebridge's total assets were \$468.2 million, total loans and leases outstanding grew to \$331.7 million and total deposits were \$333.3 million. The allowance for loan and lease losses as of September 30, 2007 was \$3.4 million, which represented 1.02 percent of total loans and leases outstanding.

Loans net of unearned income, increased \$66.5 million, or 25.1 percent to \$331.7 million at September 30, 2007, compared to \$265.2 million at September 30, 2006. This increase was primarily realized in commercial loans, which increased \$79.7 million, while repayments of loans and leases purchased from others totaled \$10.5 million. Stonebridge Bank has not purchased any loans or leases in 2007, as the strong demand

for internally generated loans has reduced the need for supplementing the loan portfolio with loans purchased from others. In comparison to the second quarter of 2007, loans net of unearned income increased \$26.3 million or 8.6 percent. This increase was also primarily realized in commercial loans, which increased \$28.0 million.

Non-performing assets were \$2.3 million, or 0.48 percent of total assets, at September 30, 2007, compared to \$3.1 million, or 0.77 percent, at September 30, 2006, and \$2.2 million, or 0.51 percent, at June 30, 2007.

Annualized net charge-offs for the quarter ended September 30, 2007 were 0.02 percent of average total loans, compared to annualized net charge-offs of 0.06 percent for the quarter ended September 30, 2006 and annualized net charge-offs of 0.07 percent for the quarter ended June 30, 2007. For the nine months ended September 30, 2007, annualized net charge-offs were 0.06 percent of average total loans, compared to 0.05 percent for the same period in 2006. The provision for loan losses increased \$160,000 for the third quarter of 2007, as compared to the same period in 2006.

Total deposits increased \$13.6 million, or 4.3 percent to \$333.3 million at September 30, 2007, compared to \$319.7 million at September 30, 2006. Time deposits increased \$20.1 million, or 9.7 percent and demand deposits increased 40.3 percent, offset by a \$13.6 million or 14.2 percent decrease in money market accounts. In comparison to the second quarter of 2007, total deposits increased \$5.7 million or 1.7 percent, due to a \$5.1 million increase, or 25.7 percent, in demand deposits and a \$2.2 million increase, or 1.0 percent, in time deposits, offset by a \$1.6 million decrease, or 1.9 percent, in money market accounts.

For the three months ended September 30, 2007, the net interest margin on a fully taxable equivalent basis was 2.83 percent, compared to 2.60 percent for the same period in 2006. For the nine months ended September 30, 2007, the net interest margin on a fully taxable equivalent basis was 2.76 percent, compared to 2.71 percent for the same period in 2006.

Net interest income of \$3.0 million for the quarter ended September 30, 2007 increased \$562,000, or 23.4 percent, compared to the third quarter of 2006. For the nine months ended September 30, 2007 net interest income increased \$937,000, or 12.7 percent, compared to the same period in 2006. These increases were primarily due to the growth of our internally generated loans and the overall growth of the Bank.

The provision for loan and lease losses was \$185,000 for the quarter ended September 30, 2007, compared to \$25,000 in 2006. For the nine months ended September 30, 2007 the provision for loan and lease losses increased \$55,000, or 16.9 percent, compared to the same period in 2006.

Non-interest income was \$144,000 for the quarter ended September 30, 2007, compared to \$138,000 in 2006, an increase of 4.3 percent. For the nine months ended September 30, 2007 non-interest income increased \$95,000, or 20.3 percent, compared to the same period in 2006. Gains on securities held for trading, prepayment fees on loans and the gain on sale of other real estate owned contributed to the increase.

In the third quarter of 2007, non-interest expense increased \$270,000 or 13.7 percent over the same period in 2006 to \$2.2 million. For the nine months ended September 30, 2007 non-interest expense increased \$580,000, or 9.9 percent, compared to the same period in 2006. These increases were primarily due to increased staff from the growth of the Bank and the FDIC's re-implementation of the deposit insurance premium in 2007.

Stockholders' equity increased \$1.0 million or 5.1 percent year-to-date due to 2007's net income partially offset by cash dividends of \$314,000 paid to common shareholders and an increase in accumulated other comprehensive loss.

Stonebridge Financial Corp.

SELECTED BALANCE SHEET DATA (unaudited)

(in thousands)

	September 30	September 30	June 30	% Change from	
	2007	2006	2007	Sept 30	June 30
				2006	2007
Securities	\$124,242	\$98,012	\$114,904	26.8%	8.1%
Loans	331,716	265,243	305,386	25.1%	8.6%
Allowance for Loan and Lease Losses	3,393	3,135	3,224	8.2%	5.2%
Total Assets	468,247	395,899	434,095	18.3%	7.9%
Total Deposits	333,263	319,653	327,607	4.3%	1.7%
Stockholders' Equity	21,279	19,719	20,185	7.9%	5.4%

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2007	2006 (1)	2007	2006 (1)
Interest income	\$ 7,798	\$ 6,321	\$ 21,946	\$ 18,307
Interest expense	4,831	3,916	13,623	10,921
Net interest income	2,967	2,405	8,323	7,386
Provision for loan and lease losses	185	25	380	325
Non-interest income	144	138	563	468
Non-interest expense	2,236	1,966	6,458	5,878
Pre-tax income	690	552	2,048	1,651
Income tax expense	185	167	543	499
Net income	\$ 505	\$ 385	\$ 1,505	\$ 1,152
Earnings per share-basic	\$ 0.16	\$ 0.12	\$ 0.48	\$ 0.37
Earnings per share-diluted	\$ 0.16	\$ 0.12	\$ 0.47	\$ 0.36

(1) 2006 per share information has been restated to reflect the 5-for-4 stock split, effected in the form of a 25% stock dividend, paid September 15, 2006.

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 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.