



FOR IMMEDIATE RELEASE

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Stonebridge Financial Corp. Announces Third Quarter and Year-to-Date Results

WEST CHESTER, Pa., October 21, 2008 -- Stonebridge Financial Corp., the parent company of Stonebridge Bank™, reported a third quarter 2008 net income totaling \$494 thousand, or \$0.15 per diluted share compared to \$505 thousand earned in the third quarter of 2007, or diluted earnings per share of \$0.16.

Net income was \$634,000 for the nine months ended September 30, 2008, compared to \$1.5 million for the same period in 2007. Diluted net income per share was \$0.20 compared to \$0.47 for the same period in 2007. Included in the year-to-date 2008 results was a charge of \$829,000 to earnings relating to the redemption in kind of a mutual fund investment.

The following other significant events have occurred recently:

- Increased net interest income 10.0 percent in the third quarter of 2008 and 10.1 percent for the first nine months of 2008 compared to the same periods in 2007;
- Increased total loans 12.3 percent since year-end; and
- Increased total deposits 8.5 percent since year-end.

As of September 30, 2008, Stonebridge's total assets were \$493.0 million, total loans outstanding grew to \$385.2 million and total deposits were \$349.4 million. The allowance for loan losses as of September 30, 2008 was \$4.0 million, which represented 1.03 percent of total loans outstanding.

Commenting on third quarter 2008, Joseph C. Spada, Stonebridge President and Chief Executive Officer, said, "Stonebridge had a very strong third quarter, despite the economic turmoil that has shaken the markets and brought about the demise of some of our competitors. It is our feeling that the economy will continue to weaken. Therefore, we continue to strengthen our balance sheet and work with our customers to overcome the struggles that lay ahead."

Loans increased \$42.2 million or 12.3 percent to \$385.2 million at September 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 \$54.3 million, while repayments on purchased loans totaled \$10.2 million.

Non-performing assets were \$4.6 million, or 0.93 percent of total assets, at September 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 September 30, 2008 were 0.16 percent of average total loans, compared to net charge-offs of 0.02 percent for the quarter ended September 30, 2007. For the nine months ended September 30, 2008, net charge-offs were 0.17 percent of average total loans, compared to net charge-offs of 0.06 percent for the same period in 2007.

Total deposits increased \$27.4 million, or 8.5 percent to \$349.4 million at September 30, 2008, compared to \$322.0 million at December 31, 2007. Time deposits increased \$21.9 million and demand deposits increased \$5.7 million.

For the three months ended September 30, 2008, the net interest margin on a fully taxable equivalent basis was 2.78 percent, compared to 2.83 percent for the same period in 2007. Net interest margin on a fully taxable equivalent basis was 2.67 percent for the nine months ended September 30, 2008, compared to 2.76 percent for the same period in 2007.

Net interest income of \$3.3 million for the quarter ended September 30, 2008 increased \$298,000, or 10.0 percent compared to the third quarter of 2007. For the nine months ended September 30, 2008, net interest income was \$9.2 million compared to \$8.3 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 \$375,000 for the quarter ended September 30, 2008, compared to \$185,000 for the same period in 2007. For the nine months ended September 30, 2008, the provision for loan losses was \$1.0 million compared to \$380,000 for the same period in 2007. The higher provisions were due in part to the growth in the loan portfolio and an increase in non-performing loans.

Non-interest income was \$161,000 for the quarter ended September 30, 2008, compared to \$144,000 in 2007. In the third quarter of 2008, non-interest expense increased \$135,000 over the same period in 2007 primarily due to increased salary and operating expenses from the addition of a new branch.

Non-interest income was \$12,000 for the nine months ended September 30, 2008, compared to \$563,000 in 2007. This decrease was primarily due to the loss realized as a result of the redemption in kind of the mutual fund investment, as previously noted. For the nine months ended September 30, 2008, non-interest expense increased \$446,000 over the same period in 2007 primarily due to increased salary and operating expenses from the addition of a new branch.

Stockholders' equity decreased \$145 thousand or 0.6 percent to \$22.2 million at September 30, 2008, compared to \$22.4 million at December 31, 2007. Stonebridge

Financial Corp. paid a cash dividend of \$0.10 per share or \$315,000 to shareholders in June 2008.

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

	September 30, 2008	December 31, 2007	September 30, 2007
Securities	\$ 96,134	\$ 104,489	\$ 124,242
Loans	385,230	343,001	331,716
Allowance for Loan Losses	3,975	3,310	3,393
Total Assets	492,964	457,710	468,247
Total Deposits	349,448	322,002	333,263
Stockholders' Equity	22,214	22,359	21,279
Number of Shares Outstanding	3,181,627	3,162,669	3,162,669
Book Value per Share	\$ 6.98	\$ 7.07	\$ 6.73

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

	Three Months Ended		Nine Months Ended	
	September 30, 2008	2007	September 30, 2008	2007
Interest income	\$7,513	\$7,798	\$22,437	\$21,946
Interest expense	4,248	4,831	13,272	13,623
Net interest income	3,265	2,967	9,165	8,323
Provision for loan and lease losses	375	185	1,022	380
Non-interest income	161	144	12	563
Non-interest expense	2,371	2,236	6,904	6,458
Pre-tax income	680	690	1,251	2,048
Income tax expense	186	185	617	543
Net income	\$494	\$505	\$634	\$1,505
Earnings per share-basic	\$0.16	\$0.16	\$0.20	\$0.48
Earnings per share-diluted	\$0.15	\$0.16	\$0.20	\$0.47

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.

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