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Stonebridge Financial Corp. Reports 18.1% Increase in First Quarter Net Income

WEST CHESTER, Pa., May 3, 2007/PRNewswire-FirstCall/ -- Stonebridge Financial Corp., the parent company of Stonebridge Bank, reported first quarter 2007 net income totaling \$497 thousand, or \$0.16 per diluted share. Net income increased 18.1% compared to \$421 thousand earned in the first quarter of 2006, and diluted earnings per share increased 23.1% over diluted earnings per share of \$0.13 in first quarter of 2006. First quarter 2006 per share information has been restated to reflect the 5 for 4 stock split paid September 15, 2006.

The following significant events have occurred recently:

- * Launched a newly designed website, www.StonebridgeBank.com;
- * Rolled out e-Courier, Stonebridge Bank's Remote Data service to customers;
- * Increased net income 18.1%;
- * Increased diluted earnings per share 23.1%;
- * Increased net loans 6.5% since year-end;

Stonebridge's first quarter earnings produced annualized returns on average assets and average stockholders' equity of 0.48% and 9.91%, respectively. For the first three months of 2006, the annualized returns on average assets and average stockholders' equity were 0.45% and 9.12%, respectively.

As of March 31, 2007, Stonebridge's total assets were \$425.9 million, total loans and leases outstanding grew to \$292.2 million and total deposits were \$317.9 million. The allowance for loan and lease losses as of March 31, 2007 was \$3.2 million, which represented 1.08% of total loans and leases outstanding. Commenting on first quarter 2007, Joseph C. Spada, Stonebridge president and chief executive officer, said, "Our earnings showed growth, despite a difficult interest rate environment and continued competition. We are also pleased with the look of our new website and excited with the successful introduction of our new "e-Courier" service."

Loans at March 31, 2007, were \$292.2 million compared to \$274.4 million at December 31, 2006. During the first quarter of 2007, loans originated by the Stonebridge lending group increased by \$20.3 million, while repayments of loans and leases purchased from others totaled \$2.5 million. Stonebridge Bank has not purchased any loans or leases in

2007, as the Bank's strategy has been to generate loans internally. Deposits at March 31, 2007 were \$317.9 million compared to \$316.0 million at December 31, 2006.

Stonebridge announced that effective January 1, 2007 it elected to early adopt Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities", including an amendment of FASB Statement No. 115 and No. 157, Fair Value Measurements. SFAS No. 159, which was issued in February 2007, generally permits the measurement of individually identified financial instruments at fair value at specified election dates. Upon adoption, Stonebridge elected the fair value option for approximately \$12.5 million in securities, which contained below market yields and were in the available for sale portfolio and presented prepayment risk in a period when cash flows would be reinvested in a potentially unfavorable interest rate environment. Prior to the publication and adoption of SFAS No. 159, Stonebridge's management intended to hold these securities until market price recovery or to scheduled maturity. The initial fair value measurement of these items resulted in an approximate \$329,000, net of tax, cumulative-effect adjustment. Under SFAS No. 159, this adjustment was not recognized in current earnings but rather a cumulative effect adjustment recorded as a reduction in retained earnings as of January 1, 2007 in accordance with the early adoption provisions of the statement. This charge to retained earnings has an insignificant impact on total stockholders' equity as the fair value adjustment had previously been included as an element of stockholders' equity in the accumulated other comprehensive income (loss) account. Stonebridge anticipates selling these securities during the second quarter of 2007 and plans to reinvest the proceeds in trading securities until such time as the amounts are needed to fund loan growth. Stonebridge recorded a pretax trading gain of \$17 thousand in the first quarter of 2007 upon adoption of SFAS 159.

Net interest income of \$2.6 million for the quarter ended March 31, 2007 increased \$117,000, or 4.7% compared to the first quarter of 2006. This increase was primarily due to the growth of our internally generated loans and the overall growth of the Bank.

Non-interest income was \$179,000 for the quarter ended March 31, 2007, compared to \$148,000 in 2006. This increase was due in part to prepayment penalties received on loans and trading income on securities held at fair value. In the first quarter of 2007, non-interest expense increased \$207,000 over the same period in 2006 to \$2.1 million primarily due to increased staff from the growth of the Bank.

Stockholders' equity increased \$527 thousand or 2.6% in 2007 primarily due to retaining 2007's net income combined with a slight increase in market value of the Bank's available for sale securities.

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

	March 31, 2007	Dec 31, 2006
Securities	\$ 121,905	\$ 122,650
Loans	292,224	274,436
Allowance for Loan and Lease Losses	3,154	3,139
Total Assets	425,864	409,263
Total Deposits	317,897	315,999
Stockholders' Equity	20,777	20,250

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

	Quarter Ended March 31,	
	2007	2006 (1)
Interest income	\$ 6,942	\$ 5,866
Interest expense	4,323	3,364
Net interest income	2,619	2,502
Provision for loan and lease losses	75	200
Non-interest income	179	148
Non-interest expense	2,050	1,843
Pre-tax income	673	607
Income tax expense	176	186
Net income	\$ 497	\$ 421
Earnings per share-basic	\$ 0.16	\$ 0.14
Earnings per share-diluted	\$ 0.16	\$ 0.13

(1) First quarter 2006 per share information has been restated to reflect the 5-for-4 stock split 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 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.

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