



**FOR IMMEDIATE RELEASE**

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## **Stonebridge Financial Corp. Reports 2008 Results**

WEST CHESTER, Pa., February 25, 2009/PRNewswire-FirstCall/ -- Stonebridge Financial Corp., the parent company of Stonebridge Bank, reported a net loss of \$1.8 million, or \$0.56 per diluted share, for the year. In comparison, for the year 2007, net income was \$2.0 million, or \$0.63 per diluted share.

For the fourth quarter 2008 Stonebridge Financial Corp. recorded a net loss totaling \$2.4 million, or a loss of \$0.76 per diluted share. This compares to fourth quarter 2007 net income of \$495,000, or \$0.16 per diluted share. Fourth quarter results were adversely impacted by two key items (pre-tax):

- A non-cash other-than-temporary impairment charge of \$1.2 million on non-agency mortgage backed securities.
- A fourth quarter provision for loan losses of \$3.4 million.

As of December 31, 2008, Stonebridge's total assets were \$487.3 million and total deposits were \$359.1 million. The allowance for loan losses as of December 31, 2008 was \$6.2 million, which represented 1.62 percent of total loans outstanding. From a regulatory capital standpoint, Stonebridge Bank continues to be "well capitalized" under all guidelines imposed by financial institution regulators. Stonebridge Bank's Tier 1 Risk-Based Capital and Total Risk-Based Capital Ratios are 8.9 percent and 10.2 percent, respectively.

As reported previously, Stonebridge elected to participate in the U.S. Treasury Department's capital purchase program which resulted in the issuance of \$11.5 million in senior preferred stock in Stonebridge Financial Corp. Treasury Department's goal for this new capital is to provide economic stimulus by encouraging new loans to individuals and small businesses by the issuing banks. Stonebridge received its new capital investment on January 23, 2009.

"2008 was a difficult year for the financial marketplace, proving to be the most demanding and challenging time our industry has faced since the Great Depression," said Joseph C. Spada, President and Chief Executive Officer. "We take little joy in seeing some of the largest and most prominent names in the financial sector fail. The snowballing effect of the mortgage crisis haunts us and we are still facing economic deterioration and uncertainty in the marketplace."

“Our fourth quarter and full year performance were very disappointing and we are concerned about the economic prospects for our customers in 2009,” continued Spada. “We are not satisfied with our results and are striving to improve earnings. We are concentrating on controlling non-interest expenses and managing loan problems and will do so throughout 2009. The ability to obtain the TARP funds has strengthened our capital base and we will continue to lend money to credit worthy individuals and businesses in our community. Despite the deterioration in earnings, we are happy with our growth and the strength of our current team of employees who will help us weather this current crisis.”

Loans net of unearned income, increased \$39.3 million, or 11.5 percent to \$382.3 million at December 31, 2008, compared to \$343.0 million at December 31, 2007. The increase was due to a \$29.3 million, or 22.3 percent, increase in commercial real estate and a \$25.6 million, or 52.3 percent, increase in commercial loans. These increases were offset by a decrease of \$12.8 million, or 37.2 percent, in residential mortgage loans. In comparison to September 30, 2008, loans, net of unearned income, decreased \$2.9 million, or 0.8 percent, due mainly to a \$2.6 million, or 10.6 percent decrease in residential mortgage loans.

Non-performing assets were \$16.6 million, or 3.42 percent of total assets, at December 31, 2008, compared to \$2.6 million, or 0.57 percent, at December 31, 2007, and \$4.6 million, or 0.93 percent, at September 30, 2008. The \$14.0 million increase was due to worsening economic conditions, which resulted in increases in non-performing assets across almost all loan types.

For the year ended December 31, 2008 net charge-offs were 0.57 percent of average total loans, compared to net charge-offs of 0.15 percent for the year ended December 31, 2007. Annualized net charge-offs for the quarter ended December 31, 2008 were 1.19 percent of average total loans, compared to net charge-offs of 0.26 percent for the quarter ended December 31, 2007. Net charge-offs increased \$0.9 million in the fourth quarter of 2008 in comparison to the same period in 2007 with increased charge-offs across almost all loan types. For the year ended December 31, 2008, the provision for loan losses was \$4.4 million, which reflects an increase of \$3.8 million in comparison to 2007. The provision for loan losses increased \$3.2 million in the fourth quarter of 2008, as compared to the same period in 2007. The increase in the provision for loan losses was due to the increase in the level of charge-offs and non-performing assets, which required additional allocations to the allowance for loan losses.

Total deposits increased \$37.1 million, or 11.5 percent to \$359.1 million at December 31, 2008, compared to \$322.0 million at December 31, 2007. Time deposits increased \$41.3 million, or 18.6 percent; non-interest bearing demand deposits increased \$1.9 million, or 19.5 percent; offset by a \$7.0 million or 8.6 percent decrease in money market accounts. In comparison to September 30, 2008, total deposits increased \$9.6 million or 2.8 percent, due to a \$19.4 million increase, or 8.0 percent, in time deposits; offset by a \$6.8 million, or 8.4 percent decrease in money market accounts; and a \$2.9 million decrease, or 20.0 percent, in demand deposits.

For the year ended December 31, 2008, the net interest margin on a fully taxable equivalent basis was 2.64 percent, compared to 2.75 percent for the same period in 2007. Net interest income for the fourth quarter of \$3.0 million was unchanged compared to the fourth quarter of 2007. The Company's net interest margin was 2.53 percent for the fourth quarter of 2008, as compared to 2.78 percent for the fourth quarter of 2007. Net interest income increased \$0.8 million for the year ended December 31, 2008 compared to 2007.

Non-interest income, excluding investment gains and losses, decreased \$90,000, or 11.3 percent, in 2008 compared to 2007. Non-interest income, excluding investment losses, decreased \$140,000, or 50.1 percent, in the fourth quarter of 2008 compared to the same period in 2007.

For the year ended December 31, 2008, investment securities losses totaled \$1.8 million, which included other-than-temporary impairment charges of \$1.2 million on securities that were acquired from the redemption-in-kind of a mutual fund investment, and a \$0.7 million loss on the redemption-in-kind of a mutual fund investment, partially offset by \$0.2 million in gains on sale of securities available for sale. Investment securities losses in the fourth quarter of 2008 were \$1.2 million, compared to no losses for the same period in 2007. The fourth quarter loss included \$1.2 million of other-than-temporary impairment charges relating to non U.S. Government Agency mortgage backed securities.

Non-interest expense decreased \$185,000, or 7.5 percent, compared to the fourth quarter of 2007. Non-interest expense decreased \$260,000, or 2.9 percent, in 2008 compared to 2007. Overhead expenses include the additional operating expenses from a new branch the Bank opened in Blue Bell in January of 2008.

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

	December 31	December 31	September 30	percent change from	
	2008	2007	2008	Dec 31	Sept 30
				2007	2008
Securities	\$96,501	\$104,489	\$96,134	-7.6 %	0.4 %
Loans	382,333	343,001	385,230	11.5 %	-0.8 %
Allowance for Loan Losses	6,180	3,310	3,975	86.7 %	55.5 %
Total Assets	487,339	457,710	492,964	6.5 %	-1.1 %
Total Deposits	359,069	322,002	349,448	11.5 %	2.8 %
Stockholders' Equity	20,947	22,359	22,214	-6.3 %	-5.7 %

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

	Quarter Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
Interest income	\$ 7,090	\$ 7,983	\$ 29,527	\$ 29,930
Interest expense	4,107	4,973	17,379	18,597
Net interest income	2,983	3,010	12,148	11,333
Provision for loan losses	3,350	150	4,372	530
Non-interest income	(1,068)	286	(1,056)	849
Non-interest expense	2,291	2,476	9,194	8,934
Pre-tax income (loss)	(3,726)	670	(2,474)	2,718
Income tax expense (benefit)	(1,323)	175	(706)	718
Net income (loss)	\$ (2,403)	\$ 495	\$ (1,768)	\$ 2,000
Earnings(loss) per share-basic	\$ (0.76)	\$ 0.16	\$ (0.56)	\$ 0.63
Earnings(loss) per share-diluted	\$ (0.76)	\$ 0.16	\$ (0.56)	\$ 0.63

**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 four full-service banking offices in West Chester, Exton, Warminster and Blue Bell, PA, 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).

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