



**FOR IMMEDIATE RELEASE**

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### **Stonebridge Financial Corp. Reports 2009 Results**

WEST CHESTER, Pa., April 9, 2010 -- Stonebridge Financial Corp., the parent company of Stonebridge Bank, reported a net loss available to common shareholders of \$4.0 million, or \$1.25 per diluted share, for the year. In comparison, the net loss available to common shareholders for the year 2008 was \$1.8 million, or \$0.56 per diluted share.

For the fourth quarter 2009 Stonebridge Financial Corp. recorded a net loss available to common shareholders totaling \$2.4 million, or a loss of \$0.76 per diluted share. This compares to fourth quarter 2008 net loss available to common shareholders of \$2.4 million, or \$0.76 per diluted share. 2009 results included higher provisions for loan losses and dividends declared on the preferred shares in connection with the TARP Capital Purchase Program.

As of December 31, 2009, Stonebridge's total assets were \$445.0 million and total deposits were \$344.6 million. The allowance for loan losses as of December 31, 2009 was \$9.9 million, which represented 2.92 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 Leverage Ratio and Total Risk-Based Capital Ratios are 7.6 percent and 11.9 percent, respectively.

Loans net of unearned income, decreased \$42.9 million, or 11.2 percent to \$339.4 million at December 31, 2009, compared to \$382.3 million at December 31, 2008. The decrease was due to a \$18.8 million, or 18.4 percent, decrease in residential mortgage loans, a \$15.1 million, or 22.5 percent, decrease in construction and land development loans, a \$5.8 million, or 4.6% decrease in commercial real estate loans, and a decrease of \$5.6 million, or 17.9 percent, in home equity loans. In comparison to September 30, 2009, loans, net of unearned income, decreased \$8.4 million, or 2.4 percent, due mostly to a \$4.7 million decrease in construction loans.

Non-performing assets were \$35.7 million, or 8.03 percent of total assets, at December 31, 2009, compared to \$16.7 million, or 3.42 percent, at December 31, 2008, and \$27.9 million, or 5.93 percent, at September 30, 2009. These increases were due to worsening economic conditions, which resulted in increases in non-performing assets across almost all loan types.

For the year ended December 31, 2009 net charge-offs were 1.30 percent of average total loans, compared to net charge-offs of 0.43 percent for the year ended December 31, 2008. Annualized net charge-offs for the quarter ended December 31, 2009 were 1.27 percent

of average total loans, compared to net charge-offs of 1.18 percent for the quarter ended December 31, 2008.

For the year ended December 31, 2009, the provision for loan losses was \$8.5 million, which reflects an increase of \$4.1 million in comparison to 2008. The provision for loan losses increased \$1.2 million in the fourth quarter of 2009, as compared to the same period in 2008. 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 decreased \$14.5 million, or 4.0 percent to \$344.6 million at December 31, 2009, compared to \$359.1 million at December 31, 2008. Time deposits decreased \$19.3 million, or 7.3 percent; offset by a \$3.5 million or 4.7 percent increase in money market accounts and a \$1.8 million or 14.9 percent increase in non-interest bearing demand deposits. In comparison to September 30, 2009, total deposits decreased \$10.4 million or 2.9 percent, due to a \$15.4 million decrease, or 5.9 percent, in time deposits; partially offset by a \$1.7 million, or 2.2 percent increase in money market accounts; and a \$2.7 million increase, or 25.2 percent, in demand deposits.

For the year ended December 31, 2009, the net interest margin on a fully taxable equivalent basis was 2.44 percent, compared to 2.64 percent for the same period in 2008. Net interest income for the fourth quarter of \$2.8 million was \$0.2 million lower than the fourth quarter of 2008. The Company's net interest margin was 2.52 percent for the fourth quarter of 2009, as compared to 2.53 percent for the fourth quarter of 2008. Net interest income decreased \$1.0 million for the year ended December 31, 2009 compared to 2008.

Non-interest income, excluding investment gains and losses, decreased \$60,000, or 8.5 percent, in 2009 compared to 2008. Non-interest income, excluding investment gains and losses, increased \$1,000, or 0.4 percent, in the fourth quarter of 2009 compared to the same period in 2008.

For the three months ended December 31, 2009, there was \$515,000 in gains on investment securities compared to gains of \$0 for the same period of 2008. Other than temporary impairment (OTTI) charges on investment securities for the fourth quarter of 2009 were \$31,000 compared to \$1.2 million for the same period in 2008.

For the year ended December 31, 2009, there was \$942,000 in gains on the sale of investment securities compared to losses of \$555,000 for the same period of 2008. The losses recorded in 2008 contain charges of \$741,000 relating to the redemption of an equity security. Other than temporary impairment (OTTI) charges on investment securities for the year ended December 31, 2009, were \$198,000 compared to \$1.2 million for the same period in 2008.

Non-interest expense increased \$157,000, or 6.9 percent, compared to the fourth quarter of 2008. Non-interest expense increased \$240,000, or 2.6 percent, for the year 2009 compared to 2008. Overhead expenses increased due to higher FDIC assessments and higher costs associated with working out problem loans.

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

	December 31 2009	December 31 2008	September 30 2009	percent change from	
				Dec 31 2008	Sept 30 2009
Securities	\$81,764	\$91,037	\$89,642	-10.2%	-8.8%
Loans	339,410	382,333	347,760	-11.2%	-2.4%
Allowance for Loan Losses	9,927	6,179	6,562	60.7%	51.3%
Total Assets	444,957	487,339	470,696	-8.7%	-5.5%
Total Deposits	344,561	359,069	354,914	-4.0%	-2.9%
Stockholders' Equity	28,062	20,947	31,211	34.0%	-10.1%
Number of common shares outstanding	3,202,064	3,174,877	3,202,064	0.9%	0.0%
Book value per common share	\$5.31	\$6.60	\$6.30	-19.5%	-15.7%

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

	Quarter Ended December 31,		Year Ended December 31,	
	2009	2008	2009	2008
Interest income	\$5,741	\$7,089	\$24,573	\$29,527
Interest expense	2,919	4,108	13,438	17,379
Net interest income	2,822	2,981	11,135	12,148
Provision for loan losses	4,500	3,350	8,450	4,372
Non-interest income	623	(1,067)	1,390	(1,056)
Non-interest expense	2,448	2,291	9,434	9,194
Pre-tax income (loss)	(3,503)	(3,727)	(5,359)	(2,474)
Income tax expense (benefit)	(1,251)	(1,323)	(2,026)	(706)
Net income (loss)	(\$2,252)	(\$2,404)	(\$3,333)	(\$1,768)
Preferred dividends	177	0	665	0
Net income available to common shareholders	(\$2,429)	(\$2,404)	(\$3,998)	(\$1,768)
Earnings(loss) per share-basic	(\$0.76)	(\$0.76)	(\$1.25)	(\$0.56)
Earnings(loss) per share-diluted	(\$0.76)	(\$0.76)	(\$1.25)	(\$0.56)

### **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).