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Stonebridge Financial Corp. Reports 45.4% Increase in Second Quarter Net Income

WEST CHESTER, Pa., July 23, 2007/PRNewswire-FirstCall/ -- Stonebridge Financial Corp., the parent company of Stonebridge Bank, earned \$503 thousand for the second quarter ended June 30, 2007, a 45.4% increase over the same period in 2006. Diluted net income per share for the quarter increased to 16 cents, a 45.5% increase over the 11 cents reported in 2006.

Net income was \$1.0 million for the six months ended June 30, 2007, a 30.4% increase over the same period in 2006. Diluted net income per share for the first six months of 2007 increased to 32 cents, a 33.3% increase over the 24 cents reported in 2006.

Commenting on second quarter 2007, Joseph C. Spada, Stonebridge President and Chief Executive Officer, said, "Net income continues to increase, despite a difficult interest rate environment and continued competitive pressures. We are pleased with our growth in both loans and deposits, which rose 11.3% and 3.7%, respectively, in the first six months of 2007. We are also pleased that we were able to pay our first dividend to common shareholders since our inception in 1999."

Stonebridge's second quarter earnings produced annualized returns on average assets and average stockholders' equity of 0.48% and 9.83%, respectively. For the same period in 2006, the annualized returns on average assets and average stockholders' equity were 0.37% and 7.55%, respectively.

As of June 30, 2007, Stonebridge's total assets were \$434.1 million, total loans and leases outstanding grew to \$305.4 million and total deposits were \$327.6 million. The allowance for loan and lease losses as of June 30, 2007 was \$3.2 million, which represented 1.06% of total loans and leases outstanding.

Loans at June 30, 2007, were \$305.4 million compared to \$274.4 million at December 31, 2006. During 2007, loans originated by the Stonebridge lending group increased by \$36.2 million, while repayments of loans and leases purchased from others totaled \$5.2 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. Deposits at June 30, 2007 were \$327.6 million, compared to \$316.0 million at December 31, 2006.

For the three months ended June 30, 2007, the net interest margin on a fully taxable equivalent basis was 2.78%, compared to 2.74% for the same period in 2006. For the six

months ended June 30, 2007, the net interest margin on a fully taxable equivalent basis was 2.73%, compared to 2.77% for the same period in 2006.

Net interest income of \$2.7 million for the quarter ended June 30, 2007 increased \$257,000, or 10.4%, compared to the second quarter of 2006. For the six months ended June 30, 2007 net interest income increased \$374,000, or 7.5%, 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 \$120,000 for the quarter ended June 30, 2007, compared to \$100,000 in 2006. For the six months ended June 30, 2007 the provision for loan and lease losses decreased \$105,000, or 35.0%, compared to the same period in 2006.

Non-interest income was \$240,000 for the quarter ended June 30, 2007, compared to \$183,000 in 2006, an increase of 31.1%. For the six months ended June 30, 2007 non-interest income increased \$88,000, or 26.6%, compared to the same period in 2006. Gains on securities held for trading, prepayment fees on loans and the gain on sale of an other real estate owned property contributed to the increase.

In the second quarter of 2007, non-interest expense increased \$101,000 or 4.9% over the same period in 2006 to \$2.2 million. For the six months ended June 30, 2007 non-interest expense increased \$308,000, or 7.9%, 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 decreased \$65 thousand or 0.3% year-to-date due to 2007's net income, 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)

	<u>June 30, 2007</u>	<u>Dec 31, 2006</u>
Securities	\$ 115,214	\$ 122,650
Loans	305,386	274,436
Allowance for Loan and Lease Losses	3,224	3,139
Total Assets	434,095	409,263
Total Deposits	327,607	315,999
Stockholders' Equity	20,185	20,250

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2007	2006 (1)	2007	2006 (1)
Interest income	\$ 7,205	\$ 6,120	\$ 14,147	\$ 11,986
Interest expense	4,469	3,641	8,792	7,005
Net interest income	2,736	2,479	5,355	4,981
Provision for loan and lease losses	120	100	195	300
Non-interest income	240	183	419	331
Non-interest expense	2,171	2,070	4,221	3,913
Pre-tax income	685	492	1,358	1,099
Income tax expense	182	146	358	332
Net income	\$ 503	\$ 346	\$ 1,000	\$ 767
Earnings per share-basic	\$ 0.16	\$ 0.11	\$ 0.32	\$ 0.24
Earnings per share-diluted	\$ 0.16	\$ 0.11	\$ 0.32	\$ 0.24

(1) 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.