



October 14, 2008

Dear Fellow Customer:

**STONEBRIDGE BANK ... the Safety of your Savings**

During this period of economic uncertainty, we want to reassure you that Stonebridge Bank is sound and healthy and that your deposits are safe. Please take a moment to look at the following information.

**Lending & Credit:**

Stonebridge Bank did not originate any subprime mortgage loans. There are no hidden items on our balance sheet. We did not participate in any derivative products, interest rate swaps, hedges, or the more esoteric Credit Default Swaps. Stonebridge Bank did not participate in or contribute to the problems now facing our economy. Call us old fashioned, but we review the financial performance & credit worthiness of all of our loan customers.

**Exposure to Common & Preferred Stock of Fannie Mae & Freddie Mac:**

Stonebridge Bank has no exposure to any common or preferred stock of Fannie Mae or Freddie Mac.

**Capital:**

Capital is a measure of safety and soundness. Stonebridge Bank is "well-capitalized" as defined by government regulations.

**Earnings:**

Stonebridge Financial Corp. had net income of \$494,000 in the third quarter. All of our quarterly and annual financial reports are shown on our web site under "About Us".

**Loan Loss Reserve:**

All banks maintain Loan Loss Reserves for potential loan problems. We measure this amount monthly and make sure that we have enough funds set aside for estimated losses.

**Regulation:**

The U.S. banking industry is highly regulated. Stonebridge Bank is thoroughly examined annually by State or Federal regulators who focus on performance, safety, soundness, risk management and capital adequacy.

**SAFETY OF YOUR DEPOSITS:**

Stonebridge Bank is a member of the FDIC and all of our customers' deposits are insured up to \$250,000 per account. The amount of the basic FDIC coverage was recently increased. (The total coverage for husbands and wives and families can be much higher and we would be more than happy to discuss these higher limits with you.)

I and all of my fellow employees work every day to make this a better institution. We are very concerned about your money and take our fiduciary responsibility and stewardship of your money very seriously. A simple letter like this cannot make your fears or concerns go away. The economic problems that we face are very large. They were not created by Stonebridge Bank or you. However, we are as concerned and angry as you are that we have this huge financial crisis on our hands.

I do not have any magic answers to the problems that we are facing. However, our economy has suffered setbacks many times and will weather this crisis as well. I don't say this to sound like a politician. It is something that I truly believe and have lived through. For Stonebridge, I see this downturn as an opportunity. We will have the opportunity to gain new customers, look at acquisitions, and other opportunities to expand. We just need to be smart, patient and prudent.

Stonebridge Bank will be 10 years old in February of 2009. We are approaching \$500 million in assets and have done well. We are always striving to improve earnings and will continue to do so. As an organization and team, we work together to develop new ideas for gaining customers, new ideas and methods for serving our customers in better ways, and develop ways to be more efficient and cost effective.

Rest assured, that we will continue to strive every day to build a better future for you and your families.

Sincerely,

A handwritten signature in cursive script that reads "Joseph C. Spada". The signature is written in dark ink on a light-colored background.

Joseph C. Spada  
President and CEO, Stonebridge Bank