

**STONEBRIDGE FINANCIAL CORP.  
STONEBRIDGE BANK  
AUDIT COMMITTEE CHARTER**

(as of July 17, 2008)

**I. Audit Committee Purpose**

The Audit Committee (the “Committee”) of Stonebridge Financial Corp. and Stonebridge Bank (the “Company”) is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee’s primary duties and responsibilities are to:

- Appoint and oversee the Company’s independent registered public accounting firm and oversee the audits of the Company’s financial statements.
- Oversee the integrity of the Company’s accounting and financial reporting processes and its systems of internal controls regarding finance, accounting, legal, and regulatory compliance.
- Monitor the qualifications, independence, and performance of the Company’s independent registered public accounting firm.
- Provide an avenue of communication among the employees, management, and the Board of Directors with respect to any complaints relating to accounting, internal controls or auditing matters and provide a mechanism for the confidential anonymous submission by employees regarding questionable accounting or auditing matters.
- Monitor the performance and operations of the Internal Audit Department.
- Oversee the performance of any co-source internal audit vendor arrangement.
- Approve all related party transactions.

The Committee has the ability to retain, at the Company’s expense, special legal, accounting, or other consultants or experts it deems necessary to carry out its duties. The Committee also has the authority to pay the ordinary administrative expenses of the Committee that it deems necessary or appropriate to carry out its duties.

**II. Committee Membership and Meetings**

The Committee shall consist of a minimum of three independent directors as such independence is defined for Committee members by the Marketplace Rules of the Nasdaq Stock Market and the Exchange Act and the rules thereunder.

All members of the Committee shall have sufficient financial experience and ability to enable them to discharge their responsibilities including the ability to read and understand fundamental financial statements, including the Company’s balance sheet, income statement

and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication.

### **III. Committee Duties and Responsibilities**

The Committee shall meet at least four times per year or more frequently as deemed necessary; the Committee shall review the Audit Committee Charter on an annual basis and have the Charter appended to the Company's proxy materials at least every three years or posted on the Company's website in accordance with regulations of the Securities and Exchange Commission ("SEC"). The Committee should meet privately in executive session at least annually with management, the internal auditor, the Company's independent registered public accounting firm, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed.

The Committee shall have the following additional responsibilities with respect to the Company and its consolidated subsidiaries.

1. Affirm an understanding with the Company's independent registered public accounting firm that they must report directly to the Committee and that the Committee has the ultimate authority and responsibility to select, retain, oversee and approve the compensation of the Company's independent registered public accounting firm.
2. Review both the scope of the annual audit and the procedures utilized with the Company's independent registered public accounting firm and financial management of the Company, and at the conclusion of such audit, meet with such firm independently of management to discuss their comments and recommendations.
3. Oversee the internal audit function of the Company including (a) its purpose, independence, authority, and reporting obligations (b) the annual audit program, budget, and staffing, (c) presentation of internal audit's annual audit plan to the Company's independent registered public accounting firm for review and comment, (d) coordination of the audit plan with the independent registered public accounting firm, (e) provide for periodic external reviews by a third party of internal audit department for effectiveness, and (f) the appointment, termination, and compensation of the internal audit staff.
4. Approve, in advance, the provision by the Company's independent registered public accounting firm of all permissible audit and non-audit services (with the exception of certain de minimus non-audit services constituting not more than 5% of all auditing revenues paid during the fiscal year; not initially recognized to be non-audit; and promptly brought to the attention of the audit committee and approved prior to completion).
5. As the Committee deems necessary to discharge its duties and responsibilities, engage and determine funding for independent counsel and other advisers.
6. Review the independent registered public accounting firm's examination of the Company's (a) financial statements, (b) evaluation of the internal system of audit and financial controls,

and (c) financial statements contained in the annual report to shareholders (and resolve any disagreements between management and the Company's independent registered public accounting firm).

7. Review with management, internal audit, and others that the Committee deems appropriate, the Company's internal system of audit and financial controls and the results of such audits.

8. Review the Company's financial reporting process, its accounting standards and principles, and any significant changes to these standards and principles in their application.

9. Review and resolve those matters pertaining to the integrity of management, including reviewing and approving all related party transactions, i.e., transactions required to be disclosed pursuant to Item 404 of Regulation S-K of the SEC, and review all potential conflicts of interest and ensure adherence to the standards of business conduct as required by the Company. Such review should include, when appropriate, meeting with management and General Counsel.

10. Ensure that the Company's independent registered public accounting firm submits to the Committee written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discuss with such firm the firm's independence.

11. Maintain an active dialogue with the Company's independent registered public accounting firm regarding any disclosed relationships or services that could affect the objectivity and independence of such firm, and be responsible for taking, or recommending that the Board of Directors take, appropriate action to oversee the independence of such firm.

12. Meet with management, internal audit staff, and/or independent external auditors in executive session as deemed necessary.

13. Establish procedures to receive, retain and respond to any complaints and concerns regarding the Company's accounting, internal accounting controls or auditing matters, including enabling employees to transmit concerns regarding questionable accounting or auditing matters by confidential, anonymous submission.