

STONEBRIDGE FINANCIAL CORP.

COMPENSATION COMMITTEE CHARTER

Approved on August 20, 2009 by Compensation Committee and Board

PURPOSE

The purpose of the Compensation Committee is to develop, approve and report to the Board on compensation and related programs and plans for the Company. The Committee will review and recommend to the full Board of Directors (meeting in Executive Session) compensation for the CEO. The CEO, with supporting documentation, will recommend to the Compensation Committee for their approval compensation for the CEO's direct reports. The Committee will approve or modify the recommended compensation for the CEO's direct reports including stock options and restricted stock awards. The Committee will review and recommend to the full Board for its approval of Director's compensation.

In discharging its role, the Committee is empowered to investigate any matter brought to its attention with access to all books, records, facilities, and personnel of the Company. The Committee has the power to retain outside counsel, compensation consultants, or other experts and will receive adequate funding from the Company to engage such advisors. The Committee shall have the sole authority to retain, compensate, terminate, and oversee its executive compensation consultants, who shall be accountable ultimately to the Committee. The Committee will ensure that compensation consultants and outside counsel that work for compensation committees are independent from management. The current draft of the Corporate and Financial Institution Compensation Fairness Act of 2009 exempts the Bank currently. In the event this changes, the criteria for the independent consultant would be:

- The person (s) have no material relationship with the Company
- Have no certain relationships with the Company's outside audit firm
- Must be able to provide proof of any benchmarking or comparisons and identify peer group justification.

MEMBERSHIP

The Compensation Committee shall consist of at least three outside directors, but no more than seven. The members must be "independent" as defined in the emergency Economic Stabilization Act of 2008. ("EESA")

OPERATION OF THE COMMITTEE

The Committee's Chair will be appointed by the Board. The Chair shall hold a meeting at least every six months. The Chair shall circulate to other Committee members a written agenda of each meeting in advance of the meeting. The Committee shall designate a secretary who shall be responsible for providing a record of the Committee's decisions and shall see that minutes of the Committee meetings are taken and included in the permanent records of the Committee and the Company, as the

case may be. A majority of the members of Committee shall constitute a quorum for any meeting called by the Chair. The Committee shall act only on the affirmative vote of at least a majority of the members present at a meeting. Meetings of the Committee may be held telephonically. The Chief Executive Officer and other employees of the Company may be invited to Committee meetings from time to time. The Committee shall annually review the Compensation Committee Charter.

DUTIES

The Committee shall recommend to the Board each element of cash and non-cash compensation that is applicable to the executive officers, directors and management disclosed in the annual proxy statement in accordance with the Total Remuneration Philosophy established by the Board. The Committee shall also recommend to the Board the overall compensation programs and salary administration policy for all employees of the Company. The administration of human resource function shall be the responsibility of management.

AREAS OF RESPONSIBILITY

The Committee shall:

- Consist of independent directors responsible for ensuring that executive pay is in the best interest of shareholders and they should not have financial conflicts with management.
- Develop executive compensation philosophy and strategy that impacts Directors, the CEO or Direct reports, including independent research on executive officer compensation, to determine appropriate levels of executive compensation, including the mix between fixed and incentive compensation, and the mix between short-term and long-term incentive compensation.
- Develop executive compensation procedures and programs consistent with approved compensation philosophy and strategy.
- Discuss, evaluate, and review with the senior risk officer any unnecessary and excessive risks that could threaten the value of the Bank.
- Provide advice to management and make recommendations to the Board of Directors regarding the Company's policies and procedures with respect to significant compensation and benefits issues.
- Recommend to the Board of Directors compensation levels for Directors, and compensation levels for the CEO and his direct reports. In making these recommendations, the Committee shall review and consider the Committee's performance evaluation of the CEO and the CEO's performance evaluation of his direct reports.
- Establish and maintain a competitive, fair and equitable compensation and benefits policy designed to attract, develop, motivate and retain directors, officers and employees.

- Review the compensation plan for all employees and identify and eliminate any features that could encourage the manipulation of reported earnings of the Bank to enhance the compensation of any employee.
- Oversee administration of executive and management incentive plans, long-term incentive compensation plans for employees and directors, employee stock purchase plans, and other executive and director compensation arrangements.
- Approve long-term incentive compensation awards.
- Approve all Incentive or bonus Plans for Executives and Management.
- Ensure that compensation policies have a multi-year time horizon that reflects both individual and institutional performance over a multi-year period.
- Ratify all bonus awards prior to payout, individually for direct reports and as a group for all other employees.
- Provide oversight and direction to the CEO and Management for the administration of defined benefit and defined contribution plans. The Committee may delegate oversight and administration of any such plans to the CEO or Management personnel, including the power to adopt plan amendments, but not including any amendments that result in significant increase in costs or benefits or actual or de facto termination of the plan. These plans may be, but not limited to 401-K, SERP, Deferred Compensation, Life Insurance and other financial benefits. The CEO or Management personnel shall report all actions taken with respect to any plan promptly to the Committee.
- Review with management and recommend to the Board of Directors new employee benefits plans and changes to existing plans of a significant nature.
- Review the annual performance objectives of the CEO, and with the input of the other outside directors, evaluate annually (meeting in Executive Session) the performance of the CEO and his evaluation of his direct reports.
- Review and recommend to the Board, approval of corporate goals and objectives relevant to the compensation of the Chief Executive Officer; evaluate his/her performance in light of those goals and objectives, and establish his/her compensation level based on this evaluation.
- Approve employment contracts or other contracts for executive officers who are, except for contracts with the, CEO or President of the Company, which will be presented to the outside directors for approval, after review by the Committee.
- Approve guidelines for the CEO to use in the CEO's approval of change-in-control agreements for executive officers or employees.

- Maintain minutes and records of its meetings and its activities in such form as the Board may determine.
- On an annual basis, the Committee must prepare a narrative description of how it limited the risks.
- The Committee must certify that it has completed the reviews of the CEO's and employees' compensation plans.