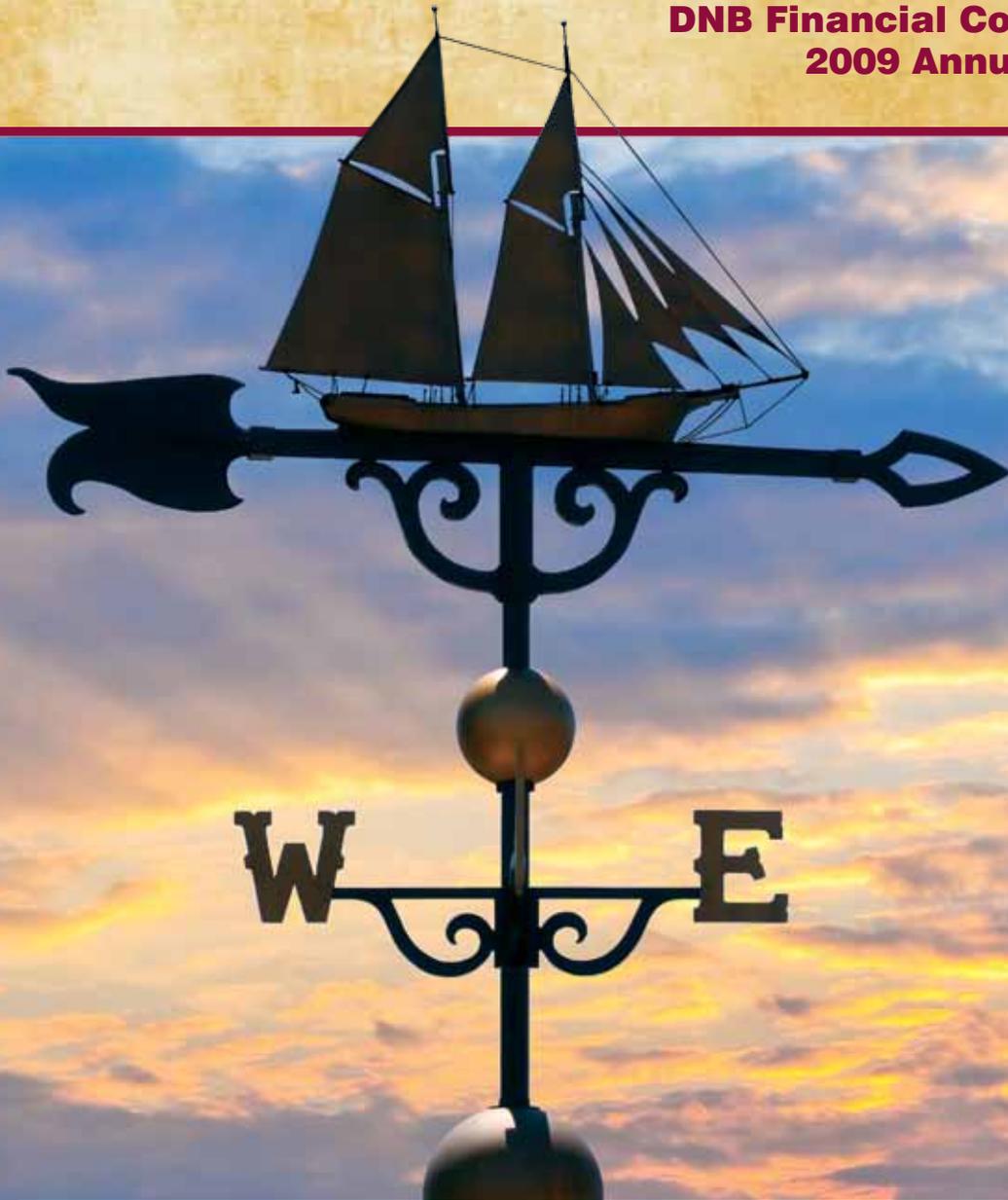


**DNB Financial Corporation
2009 Annual Report**



The Strength And Stability To Weather Today's Challenges

DNB
FINANCIAL
CORPORATION

A symbol of strength and stability for 149 years

For thousands of years, people around the world have used weathervanes to prepare for what is to come. Though different types were developed, the weathervane's purpose has remained unchanged – to face and withstand the wind from any direction.

In 2009, financial institutions from all over the country faced stormy economic conditions. DNB First was among them. Yet, our financial strength allowed us to face our challenges head on and remain the beacon of stability our customers and communities have relied on for 149 years.





Dear Shareholder:

There is little debate, 2009 was a year of unprecedented economic challenge, change, and uncertainty. During this time, individuals struggled to keep their jobs, businesses were challenged with keeping doors open, and our communities were left with an ever-increasing demand for basic human services. And of course, financial institutions from all over the region had to navigate the most treacherous financial environment our country has seen since the Great Depression.

While DNB First was not immune to some of the financial challenges and changes, we did manage to successfully weather them. We remained as we have throughout our long history – a profitable and sound institution dedicated to serving the best interests of our customers, communities, and shareholders.

Our continued commitment to fundamental banking, expense control, and prudent decision-making had us well positioned to face new challenges and make tough choices. Rather than denying difficulties, we confronted them head on, building a defensive balance sheet, keeping risks reasonable relative to capital, and reducing dividends to reinvest in the Company. Though our conservative operating practices over the past several years may have seemed boring compared to those of other financial institutions, which made suspect loans and investments, they were essential for our long-term strength and stability. Competition truly brought out the worst in some financial institutions, and our leadership was challenged with not only understanding the poor decisions these institutions made, but also ensuring we stay focused on our core values and core business. This is one of the many reasons why we remain a strong fixture in our community, while other local banks have faced financial difficulties and consolidations.

Our focus on core business served us well in our commitment to helping companies of all sizes, as we experienced an increase in commercial loan activity. While many businesses were faced with the difficult task of obtaining capital, DNB First was there to support them.

This commitment is evident in our recent recognition by TheStreet.com, a leading financial website, as one of the few banks in the country that are actually lending. To accommodate our growth, we hired additional experienced branch managers and commercial lenders. Of course, we carefully balanced our willingness to support businesses with the importance of maintaining our financial strength and long-term viability.

In 2009, we continued to meet the needs of all of our customers by offering competitive rates, local decision making, and the products and services they need to meet their goals. We also reinforced our commitment to delivering convenience through our investment in Mobile Banking, which allows individuals and business customers to manage their money from any wireless device.

For DNB First, staying true to our values also meant continuing to give back to the many communities we are so proud to serve through corporate donations, sponsorships, and volunteer efforts. Our success in serving our customers and communities would not be possible without the support of our employees who gave of themselves and made sacrifices in order to deliver the very best service.

Looking ahead, there's little doubt that 2010 will not be without challenge. There is, however, no doubt that DNB First will remain committed to standing with our customers, communities, employees, and shareholders through both prosperous and uncertain times.

We thank you for your continued support.

William S. Latoff
Chairman and CEO

William J. Hieb
President and COO

Solid enough to be there for our customers

Fiscal year 2009 was a great period of change and uncertainty for individuals and businesses around the country, and the financial institutions on which they have relied. The climate here at home was no different, as many local banks experienced financial difficulty. At DNB First, it was a different story. We continued to be there for our customers and communities, providing the assurance that we will stand behind them in these challenging times.



Matt Wagner
President, Bob Wagner's FlooringAmerica Design Center

"Our family business has been with DNB First since we opened our doors. The Bank has always taken a personal interest in our success. They've been there for grand openings and have stood by us and guided us in challenging times. The personal attention they provide is really unmatched – from the branch staff to the CEO."





Values that have stood the test of time

At DNB First, our formula for success is a simple one – we adhere to the same core values in prosperous and challenging economic times. It may sound simple, but it is the reason why we have been around since 1860 and why we will soon become the last-standing community bank headquartered in Chester County.

These values include:

- Making prudent financial decisions that are in the best interest of our customers and shareholders. We never try to reap short-term rewards without understanding long-term consequences.
- Delivering a level of service that reminds our customers how important their business is to us.
- Providing honest values to our customers.
- Giving back to the local communities we are so proud to serve.
- Supporting the growth of local businesses, which are vital to the strength and prosperity of our communities.

Continuing to support the growth of local businesses

As a community bank, DNB First has always remained focused on meeting the needs of companies of all sizes. In 2009, our commitment to businesses was more important than ever as many struggled to secure the financing they needed to manage cash flow challenges and build for the future.

Recognizing the vital role that companies play in creating jobs and stabilizing our local communities, we continued to stand behind our existing business customers and to help launch new businesses. Our commitment to lending is evident in the strong growth in our commercial loan portfolio in 2009. While other banks ceased lending, we continued to make sound credit decisions and deliver the solutions qualified businesses needed to weather challenges and prepare for the future.



Jill Renninger
Principal and Vice President, IMS Audio Visual

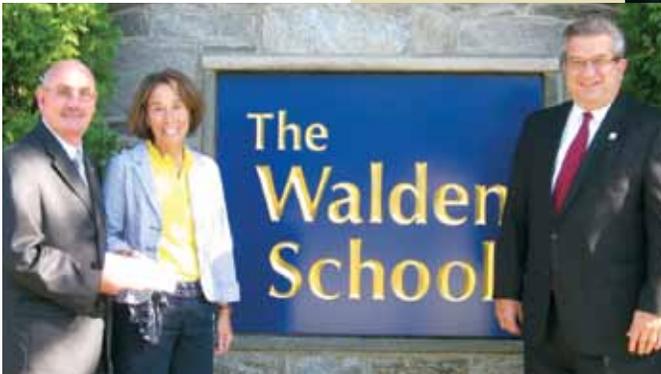
"DNB First really understands our business and the challenges we face. They don't just look at our business as a piece of paper, but take the time to learn about our long-range goals. We've never felt that our relationship was in jeopardy, which is really important today when other banks are just calling in credit lines for no reason. We couldn't be happier."

Building our commercial banking staff and our commitment to business

One of the ways we strived to support business was through the hiring of additional commercial loan officers. These seasoned professionals understand our local communities and the challenges businesses face. They have decades of experience in commercial banking and are active members of the communities they serve. The visibility and experience of our team provides businesses the assurance that their bank not only understands their challenges, but is ready, willing, and able to help deliver solutions.

Continuing a tradition of value and community support

As a community bank, DNB First is not just a part of your community, but dedicated to helping build it. Whether we're providing products and services that help individuals, families, and businesses reach their goals or support to help non-profit organizations carry out their mission, every day, DNB First strives to be there for the customers and communities that have relied on us for generations.



In 2009, DNB First provided financial support to a wide range of organizations dedicated to youth programs and education, including the Walden School. Pictured is Chris Leon (second from left) with DNB First's Tom Cozza (left) and Al Melfi (right).



In the Fall of 2009, we introduced Mobile Banking to customers through a comprehensive marketing campaign.



Delivering higher values to help our customers

Being there for our customers means understanding their financial challenges, and the importance of maximizing cash flow. In 2009, we continued to help our customers grow savings through accounts like Rewards Checking, which offers a highly competitive rate with no fees. We also continued to provide competitive loan rates and low fee structures.

The commitment to take banking in new directions

Our focus on strong fundamental banking did not stop us from continuing to look toward the future to explore new ways to improve the customer experience. In the Fall, we introduced Mobile Banking, a convenient service that allows individuals and businesses to access and manage their accounts from any wireless device. The addition of Mobile Banking, and our unwavering commitment to investing in state-of-the-art products and services, enables our customers to access the services they would find at a large financial institution with the personal assistance and commitment that only a community bank can provide. These services allow us to meet the needs of new generations of customers who rely heavily on convenience.

As part of our commitment to technology, we also invested in a new, cutting edge Virtual Server system that allows us to operate more efficiently and accommodate future growth.

Helping protect and build wealth

With the financial difficulties on Wall Street over the past year, individual, business, and institutional investors had to helplessly watch the value of their investments decline. In 2009, DNB Advisors understood their concerns and worked with them to help build and protect wealth. Our experienced investment managers understand the importance of making sound investment choices. Rather than chasing the latest fads, they work to create broad, diversified portfolios that improve upside returns and limit downside risk. Their goal has always been to deliver best-in-class investment performance with a personalized, consultative approach.

Supporting our communities

DNB First has always strived to be financially sound, not just for our customers and shareholders, but also for the many communities that rely on our support. Even with the economic challenges of 2009, we continued our long-standing tradition of supporting our local communities through financial donations and employee volunteers at events that enrich our neighborhoods. These initiatives included sponsorship of:

- Local events that fuel the growth of business
- Arts programs
- Youth support and education
- Affordable housing
- Healthcare and Senior programs

A tradition of Loyalty to Service

In 2009, for the fourth consecutive year, we continued to honor heroes who support our communities through our Loyalty to Service awards. This unique program recognizes outstanding individuals who have demonstrated high levels of commitment, professionalism, and integrity, in the field of Social Work.



Loyalty to Service 2009 Awards: Honorees (pictured from left to right with DNB First's Bill Hieb and Bill Latoff) Gina Buckman, Regina Horton-Lewis, Dr. Patricia Joseph (Lifetime Achievement Awardee), and Heidi Carlson (Main Awardee).

DNB Financial Corporation Advisory Board Members

Our Advisory Board consists of successful local business people. They offer additional perspective on the needs and significant concerns within our community. We are proud to have their involvement and input for guidance.

Peter R. Barsz, CPA
Partner, Merves, Amon & Barsz, LLC

Joseph E. Brion, Esq.
*Partner, Buckley, Brion, McGuire,
Morris & Sommer LLP*

Jeffrey P. Brown
President, General InsurCorp, Inc.

Tamara C. Cansler
*President and CEO, Cansler
Investment Group*

Dominic J. Cappelli, Jr.
CEO, The Cappelli Group, Inc.

Vincent T. Donohue, Esq.
*Chairman of Business & Real Estate
Group, Lamb McErlane PC*

Isidoro Gonzalez, MD
*Senior Vice President, Programs
and Training, Congreso*

Charles A. Hackett, CPA
President, Bliss & Co., Ltd.

James A. Mellon, Jr.,
*President/Owner,
Mellon Certified Restoration*

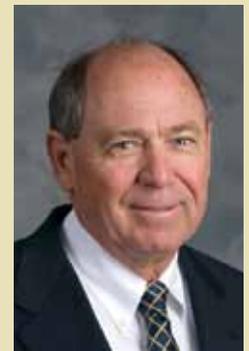
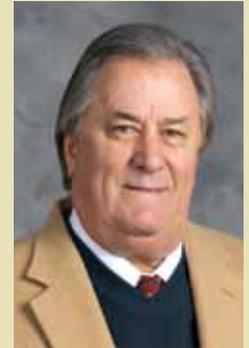
A. Joseph Rubino
President, KSL Corporation

Kathy Scullin
*Vice President Marketing and
Public Relations, Crozer-Keystone
Health System*

Charles E. Swope, Jr.,
*Broker of Record & Chairman,
Swope Lees Commercial
Real Estate, LLC*

Cuyler H. Walker, Esq.
Partner, Pepper Hamilton, LLP

George C. Zumbano, Esq.
*Attorney and Shareholder,
Gawthorp Greenwood, PC*



DNB Financial Corporation Board of Directors



Standing, left to right:

Eli Silberman, *Director; President, TSG, Inc. Marketing Consultants*
Gerard F. Griesser, *Director; Principal, Prudential Fox & Roach/Trident*
William J. Hieb, *Director; President and Chief Operating Officer*
Thomas A. Fillippo, *Director; President, Devault Foods*
James J. Koegel, *Director; President, Jones Motor Group, Inc.*

Sitting, left to right:

James H. Thornton, *Director; President, Thornton Consulting*
William S. Latoff, *Director; Chairman and Chief Executive Officer*
Mildred C. Joyner, *Director; Director and Professor of Social Work,
West Chester University*

Executive Management Team and Officers



Standing, left to right:

Bruce E. Moroney, *Executive Vice President and Chief Accounting Officer*

Frank S. Monterosso, *Senior Vice President, Operations*

Albert J. Melfi, Jr., *Executive Vice President and Chief Lending Officer*

Richard J. Hartmann, *Executive Vice President, Retail Banking*

Sitting, left to right:

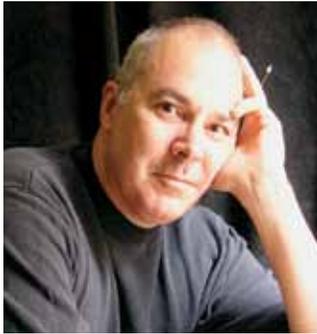
Gerald F. Sopp, *Executive Vice President, Chief Financial Officer
and Corporate Secretary*

William S. Latoff, *Chairman and Chief Executive Officer*

William J. Hieb, *President and Chief Operating Officer*



An art of helping our communities



Adrian Martinez

DNB First has always been committed to supporting our communities and the individuals who work to enhance them. As part of our commitment to the arts, we're proud to support local artists, including Adrian Martinez. A nationally known artist based in Downingtown, Pennsylvania, Adrian's work includes portraits, still lifes, landscapes and historical paintings, and combines a classical technique with an intensely emotional vision. His art has been shown in galleries across the United States and is in many public collections.

Pictured are two of Adrian's works that hang in our Main Branch, *At the Races* and *The Artist*. *At the Races* depicts an afternoon race at the Downingtown Driving Park, which was located on the east side of Brandywine Avenue between the railroad



At the Races



The Artist

tracks and Boot Road. The races attracted sportsmen from all over Pennsylvania and New Jersey.

The Artist depicts a meeting taking place, circa 1720, in the east branch of Brandywine Creek where two Conestogoe warriors and a young brave have arrived to barter their

fur at the Downingtown Log House. Standing in the rear of the group on the right is Peter Bezellion, a French Canadian fur trader.

For more information on Adrian's works, visit adrianmartinez.com.

DNB First Branch Locations

Caln

1835 East Lincoln Highway
Coatesville, PA 19320

Chadds Ford

300 Oakland Road
West Chester, PA 19382

Downingtown/East End

701 East Lancaster Avenue
Downingtown, PA 19335

Downingtown/Main

4 Brandywine Avenue
Downingtown, PA 19335

Exton

410 Exton Square Parkway
Exton, PA 19341

Kennett Square

215 East Cypress Street
Kennett Square, PA 19348

Lionville

891 North Pottstown Pike
Exton, PA 19341

Little Washington

104 Culbertson Run Road
Downingtown, PA 19335

Ludwig's Corner

1030 North Pottstown Pike
Chester Springs, PA 19425

Media

200 East State Street
Suite 208
Media, PA 19063

Tel Hai

1200 Tel Hai Circle
Honey Brook, PA 19344

West Chester

2 North Church Street
West Chester, PA 19380

West Goshen

1115 West Chester Pike
West Chester, PA 19380



DNB First ▪ 4 Brandywine Avenue ▪ Downingtown, PA 19335