

MAP OF
CHESTER CO
AND DELAWARE CO
PENNSYLVANIA
From actual Surveys
Published by
T.J. KENNEDY.
1800.



Dear Shareholder

2008 was a year of positive achievements for DNB Financial despite the challenges for the banking industry in general and the economy overall. While the Company's full financial performance is reported in our 10-K, we wanted to highlight some of the more significant elements.

We are proud of the fact that 2008 was a profitable year for the bank, as compared to the results reported by many other financial institutions. Commitment to fundamental banking spared us the massive losses and write-downs associated with the aggressive and irresponsible lending and investment practices of many large money centers and investment banks. There are significant differences between traditional community banks and Wall Street investment banks. Community banks like DNB First lend and invest in local communities and employ more prudent underwriting guidelines. We lend to local homeowners and business men and women. We help our customers save for their children's college educations and their own retirements. Our employees serve in volunteer and leadership roles in a variety of non-profit, civic, and service organizations.

Even though we have exercised good judgment and sound underwriting standards throughout the years, our borrowers have been affected by the current economic downturn. As a result, delinquent and non-performing assets increased during 2008. We made appropriate provisions to our loan loss reserve throughout 2008 and will continue to work with our customers during this difficult time. Further, attention to expense control over the past several years served us well as we have held our non-interest expense essentially flat while staffing two

new branches, making substantial improvements to others, and investing in technology to remain competitive in our markets. At every level, DNB First staff found new ways to reduce bank expenses while remaining committed to the quality of service our customers expect.

We have continued to make important investments in operational efficiencies and facilities, including much-needed renovations to our historic Main branch and headquarters building. These improvements were structurally necessary and essential to remain competitive in our market and meet customer expectations. The bank remains well capitalized and poised to continue its growth. The decision to reduce the quarterly dividend was, while difficult, the right decision. Our industry continues to confront uncertainty and a weakening economy. This move preserves capital to grow the bank and increase shareholder value.

While we recognize the seriousness of the challenges facing us and the nation, we remind you that DNB has survived and thrived through previous economic cycles by remaining focused on our guiding principles. Continued involvement in our communities through leadership, service and financial support has earned us a reputation of consistency and reliability in both business and consumer markets. This commitment has been the cornerstone of our nearly 150 year history and will carry us through the current economic challenges. Now more than ever, DNB First is here to offer customers and prospects alike sound financial solutions for all their banking needs.

We thank you for your continued support.



William S. Latoff
Chairman & CEO



William J. Hieb
President & COO

2008 WAS A YEAR
OF POSITIVE
ACHIEVEMENTS
FOR DNB
FINANCIAL
CORPORATION

History



While undergoing renovations at the Main branch and headquarters some dusty old boxes were discovered and the contents gave us goose bumps. Newspaper clippings from the 1850's and 60's announcing the formation of DNB First. Minutes from the very first Board of Directors meetings. Old advertising. Checks from 140 years ago. Old photos. This treasure trove is not only a history of the bank, but of the entire region. For instance, did you know that for a few hours Downingtown was actually the nation's capital? As part of the DNB First family, we thought you might enjoy some family history.

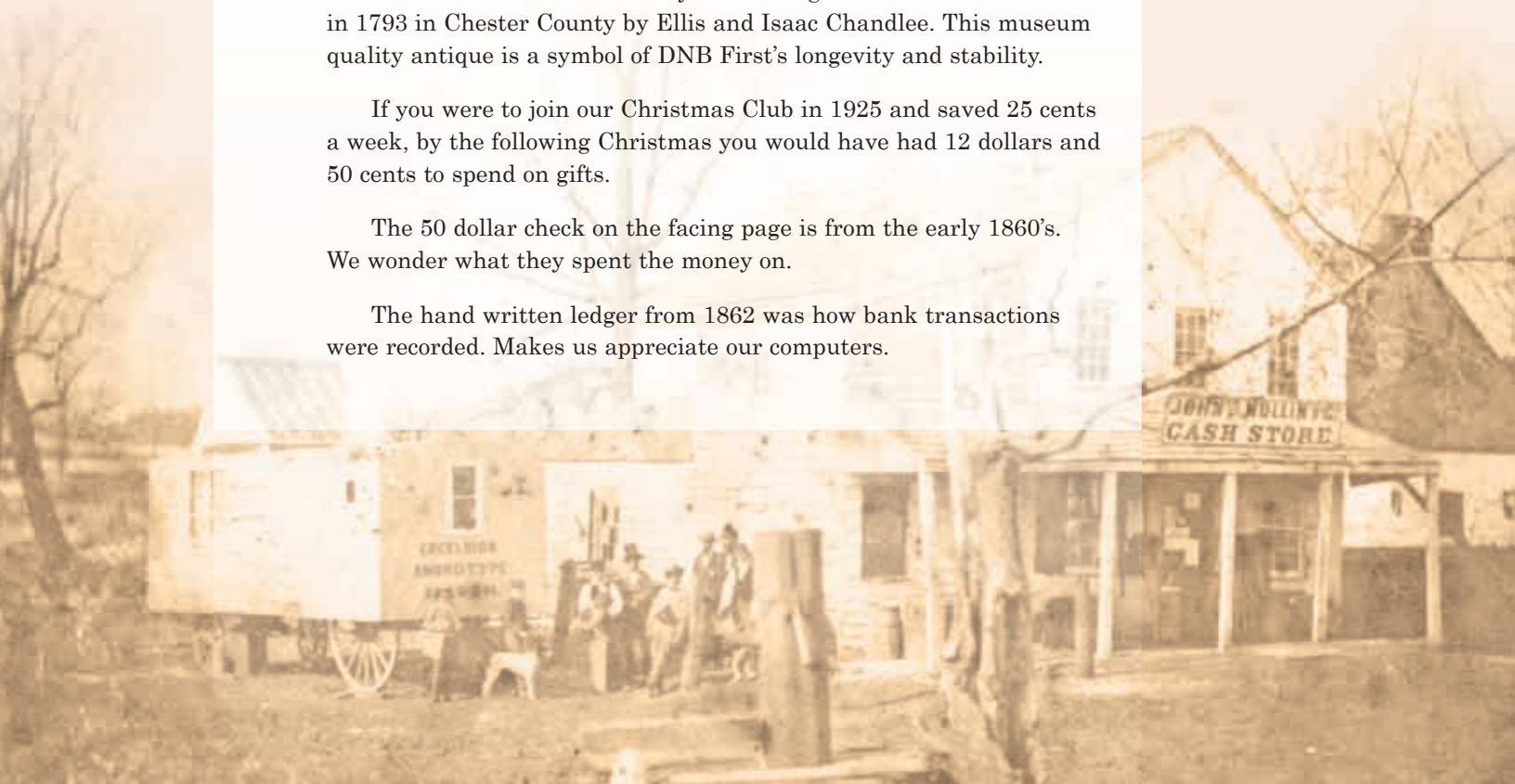
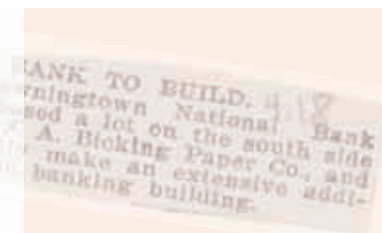
Starting at the beginning, below is a photo taken in 1860 of a store built in 1818. The store is on the site of our Main Branch at Lancaster Avenue and Route 322.

Enter the Main branch today and see a grandfather clock made in 1793 in Chester County by Ellis and Isaac Chandlee. This museum quality antique is a symbol of DNB First's longevity and stability.

If you were to join our Christmas Club in 1925 and saved 25 cents a week, by the following Christmas you would have had 12 dollars and 50 cents to spend on gifts.

The 50 dollar check on the facing page is from the early 1860's. We wonder what they spent the money on.

The hand written ledger from 1862 was how bank transactions were recorded. Makes us appreciate our computers.



NOTICE
The citizens of the Borough
of Downingtown and surroun-
ing community, in
the establish-
ment of
Bank

No. 113 Downingtown, Pa. 186 9

The **Downingtown National Bank**

Pay to Chas. A. Mills of Order

Fifty Dollars

\$ 50.00 May 1919

White Clover Seed

If kept in a dry place will germinate after twenty-four years. There is no advantage to clover or to money in keeping it idle. Place your money in the Downingtown National Bank, where it will quickly grow.

3% Interest Paid on Savings Accounts.

DOWNINGTOWN NATIONAL BANK

ELECTION
The annual elec-
tion of the
Downingtown
Tellers, A. P. Hin-
ney and T. Vano-
ling were electe
W. Downing, E. P.
erts, Downingtown;
Thorndale; Charles
seph A. Backing, W

without a hand or any pain show, our
savings-the bank-changed its location
yesterday afternoon. Two heavy grip
was not called out, and the militia
law-abiding citizens and a little matter
of money doesn't worry us. The new
building was opened this morning and
patrons of the bank all feel grateful for
the change.

of the no-
imprint appears
of the Borough
West Chester, Pa.
notwithstanding is nice and clear, and
more than three score years old, the
ink shows up good and black, which
indicates they had good printers in
those days in the county seat, the same
as now.

It is said on authority that Down-
ingtown enjoys the unique distinction
of being the capital of the United
States for a few hours, when the Con-
tinental Congress held a session there
on its flight from Philadelphia.

The public house of Jos. P. Tucker,
1424
enjoys the unique distinction
of being the capital of the United
States for a few hours, when the Con-
tinental Congress held a session there
on its flight from Philadelphia.

The meeting was held on schedule
time, and, according to the minutes,
was largely attended. The following
officers and directors were chosen:
Charles Downing, president; Richard
D. Wells, secretary; David Shelmire,
Jacob Edge, Allen W. Wilk, Samuel
Ringwalt, William Rogers, Samuel
Eshelman, Jonathan C. John K.
Abram V. Ashbridge, John P.
Mordcael, T. Ruth
cashier. It was
bank, th

FIRE IN BANK.
A slight fire broke out in the Down-
ingtown National Bank yesterday af-
ternoon. The fire department was
called out and the fire was extinguish-
ed before much damage was done.

DOWNINGTOWN NATIONAL BANK
60-807
Downingtown, Pa. 19

PAY TO THE ORDER OF

PAY YOUR BILLS BY CHECK

Now everyone can enjoy the convenience and safety of paying bills and sending money by check without carrying a balance in the bank or paying service charges. REGISTER CHECK SERVICE is entirely new. You simply deposit enough money to cover the checks you write and pay a nominal fee. Come in and ask REGISTER CHECKS. There is no red-tape, and no references are required.

SA NOT

**Meet Next Year's Christmas Demands
By Joining Our Christmas Club**

You will be sure to have money for Christmas if you join one of our clubs

CLASS 25 \$12.50
CLASS 26 \$25.00
CLASS 27 \$37.50
CLASS 28 \$50.00
CLASS 29 \$62.50
CLASS 30 \$75.00

WE CORDIALLY INVITE YOU TO JOIN OUR 1925 Christmas Savings Club

MONTHLY, DECEMBER 1, 1924

Downingtown National Bank
Downingtown, Penna.



WE CORDIALLY INVITE YOU TO JOIN OUR 1925 Christmas Savings Club

MONTHLY, DECEMBER 1, 1924

Downingtown National Bank
Downingtown, Penna.



| | | |
|--------|---------|---------|
| 1161 | Balance | 1120 80 |
| 1162 | Balance | 145 25 |
| May 12 | Cash | 110 |
| 11-2 | do | 100 |
| 11 | do | 100 |

| | | |
|-------|------------------|---------|
| 1161 | Thomas Pinn | 12 50 |
| 5-26 | J. Campbell | 20 65 |
| 10 | 10 H. Edge | 75 |
| 21 | Th. Van Meter | 19 50 |
| 21 | R. Murphy | 30 30 |
| 10-11 | H. Edge | 90 |
| 11-5 | Diff. & Co. | 634 62 |
| 12-4 | Trichel & Young | 10 |
| | Balance | 195 25 |
| | | 1120 80 |
| 1162 | 5 May | 22 34 |
| | 11 June | 15 98 |
| | 2 July | 15 75 |
| | 27 Aug | 5 |
| 3-22 | May & Co. | 100 |
| 11-1 | Ed. Thomas & Co. | 30 |

DNB First was born in 1860...

2008 has been an economically challenging year for families, retailers, companies, and banks. To put it in perspective, since the bank's founding in 1860, the U.S. experienced thirteen recessions and depressions. Through every one DNB First was there providing its usual high level of service and helping customers weather the stormy times. When the good times returned, and they always did, your bank was solid and strong. As were relationships with our valued depositors. We look to the future with confidence and with optimism. Looking to the past we see that the history of the bank is intertwined with the history of the region and the country.

In **1860**, after five years of planning and effort, the bank was formed. Charles Downing is elected President and so is Abraham Lincoln.

In **1863** the bank's capital increases to \$100,000 and the National Banking Act passes Congress.

In **1900** the bank purchases the lot on the corner of Lancaster and Brandywine Avenues and the population of the U.S. is 75 million.

In **1903** the new bank building is two years old and the first World Series is played.

1917 sees Thomas W. Downing as the new President of the bank and World War One ends.

By **1926** there are 31 banks in the County and DNB First holds the distinction of being the first.

Flash floods in **1942** cause a local disaster, the vaults in the concrete basement are flooded and World War Two is raging.

1945 and the world rejoices as the war ends.

In **1952** the bank interior goes through extensive renovation and Dwight D. Eisenhower is running for President.

1963 sees the second branch of the bank opening, and Martin Luther King Jr. delivers his *I Have a Dream* speech.

In **1974** the bank's Little Washington branch is opened and FDIC insurance raised to \$40,000.

1989 and two more branches built and the Hubble telescope is nearing completion and eventual launch.

1991 yet another branch opened.

2007 and **2008** the bank opens two branches in Delaware County which includes the beautiful new Chadds Ford branch and the first African American President is elected.



1860

Original site of Downingtown Main branch



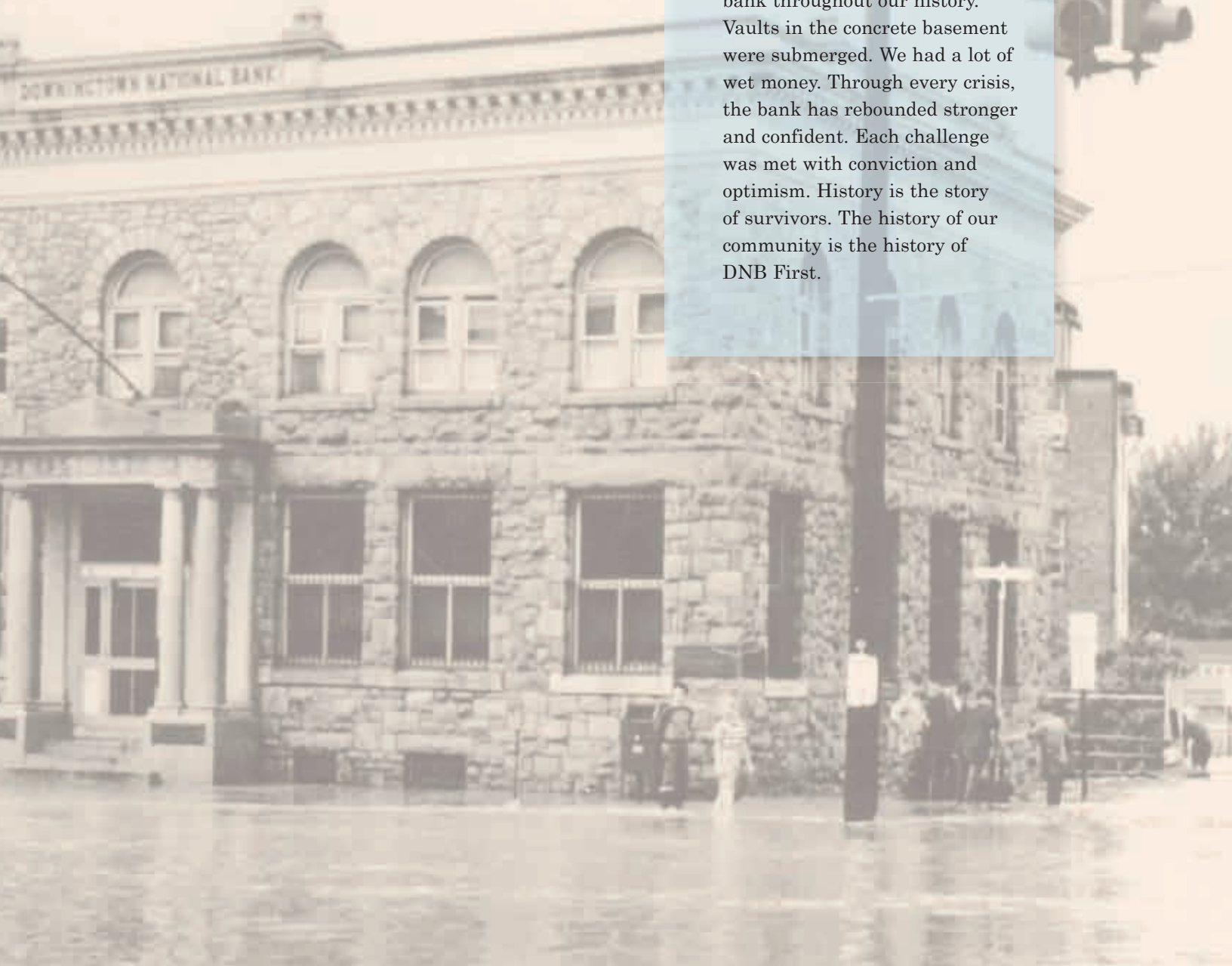
1901

Downingtown Main at the turn of the century



Downingtown M
ne

The Downingtown flood in August of 1942 was one of the many extraordinary events that have tested the strength of the bank throughout our history. Vaults in the concrete basement were submerged. We had a lot of wet money. Through every crisis, the bank has rebounded stronger and confident. Each challenge was met with conviction and optimism. History is the story of survivors. The history of our community is the history of DNB First.



1962
Main branch with
new side entrance



2009
Downingtown Main branch after
enlargements and renovations



2009
Our 13th branch in Chadds Ford had
its grand opening two years ago.



What We've Learned in 148 Years of Banking in Chester County.

Be wise and prudent. No sub-prime lending. No credit-default swaps, whatever they are. No big bank crap-shoots with a depositor's money.

Assure a depositor's money is safe and available when needed. The Federal Deposit Insurance Corporation guarantees your money is safe, now up to \$250,000. Nobody has ever lost insured deposits with a federally insured bank.

Provide the kind of banking services our customers need, not ones that are more profitable for the bank, but inappropriate for the individual. Never sell. Explain.

Make sure shareholders of the bank are local business men and women, customers, friends and neighbors, people we can look in the eye every day.

Never forget we're a community bank, serving Chester and now Delaware Counties. Do all we can to contribute to the success and happiness of its institutions and citizenry. Encourage our friendly competitors to do the same.

Remember that Teddy Roosevelt had it right:
Ride hard, shoot straight, and deal square.

A final thought from Bill Latoff, CEO, and Bill Hieb, President.
The current turmoil in the financial markets is a result of the greed of Wall Street traders, speculators, and lax regulations. There is enough blame to go around, but millions of us saving for retirement or college did nothing wrong. We look forward to serving you. We have money to lend and solutions to offer. DNB First is determined to remain a strong force in our marketplace and our community.





DNB First Board of Directors. Standing: Thomas A. Fillippo, Eli Silberman, William S. Latoff, James H. Thornton. Sitting: Mildred C. Joyner, James J. Koegel, William J. Hieb

Directors and Officers of DNB Financial Corporation

| | |
|--------------------------------------|---|
| Thomas A. Fillippo | <i>Director; President, Devault Foods</i> |
| Mildred C. Joyner, MSW, LCSW, BCD | <i>Director; Professor, Director and Chairperson, Undergraduate Social Work Department, West Chester University</i> |
| James J. Koegel | <i>Director; President, Jones Motor Group, Inc.</i> |
| Eli Silberman | <i>Director; President, TSG Inc., Marketing Consultants</i> |
| James H. Thornton | <i>Director; Director of John Dempsey Hospital of the University of Connecticut</i> |
| William S. Latoff | <i>Director; Chairman and Chief Executive Officer</i> |
| William J. Hieb | <i>Director; President and Chief Operating Officer</i> |
| Richard J. Hartmann | <i>Executive Vice President - Retail Banking and Marketing</i> |
| Albert J. Melfi, Jr. | <i>Executive Vice President and Chief Lending Officer</i> |
| Bruce E. Moroney | <i>Executive Vice President and Chief Accounting Officer</i> |
| Gerald F. Sopp | <i>Executive Vice President, Chief Financial Officer and Secretary</i> |
| Directors Emeritus. | Robert J. Charles, I. Newton Evans, Jr., Vernon J. Jameson, Henry F. Thorne |

Our first bank President, Charles Downing



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.

Advisory Board Members:

| | |
|--------------------------|--|
| Peter R. Barsz, CPA | <i>Partner, Merves, Amon & Barsz, LLC</i> |
| Joseph E. Brion, Esq. | <i>Partner, Buckley, Brion, McGuire, Morris & Sommer LLP</i> |
| Jeffrey P. Brown | <i>President, General InsurCorp, Inc.</i> |
| Tamara C. Cansler | <i>President and CEO, Cansler Investment Group Inc.</i> |
| Dominic J. Cappelli, Jr. | <i>CEO, The Cappelli Group, Inc.</i> |
| Vincent T. Donohue, Esq. | <i>Chairman of Business & Real Estate Group, Lamb McErlane PC</i> |
| Isidoro Gonzalez, MD | <i>Senior Vice President - Programs and Training, Congreso</i> |
| Charles A. Hackett, CPA | <i>President, Bliss & Co., Ltd.</i> |
| Arthur R. Leahy | <i>First Vice President - Investments, Janney Montgomery Scott, LLC</i> |
| A. Joseph Rubino | <i>President, KSL Corporation</i> |
| Kathy Scullin | <i>Vice President of Marketing and Public Relations, Crozer-Keystone Health System</i> |
| Gary W. Smith | <i>President and CEO, Chester County Economic Development Council</i> |
| Cuyler H. Walker, Esq. | <i>Partner, Pepper Hamilton, LLP</i> |
| George C. Zumbano, Esq. | <i>Attorney and Shareholder, Gawthrop Greenwood & Halsted</i> |



Branches

Caln
1835 E. Lincoln Highway
Coatesville, PA 19320
610.383.7562

Chadds Ford
300 Oakland Road
West Chester, PA 19382
610.361.8227

Downingtown - East End
701 E. Lancaster Avenue
Downingtown, PA 19335
610.269.3800

Downingtown - Main
4 Brandywine Avenue
Downingtown, PA 19335
610.269.1040

Exton
410 Exton Square Parkway
Exton, PA 19341
610.363.7098

Kennett Square
215 East Cypress Street
Kennett Square, PA 19348
610.444.4350

Lionville
891 N. Pottstown Pike
Exton, PA 19341
610.363.7590

Little Washington
104 Culbertson Run Road
Downingtown, PA 19335
610.942.3666

Ludwig's Corner
1030 N. Pottstown Pike
Chester Springs, PA 19425
610.458.5100

Media
200 E. State Street, Suite 208
Media, PA 19063
484.359.3653

Tel Hai
1200 Tel Hai Circle
Honey Brook, PA 19344
610.273.7233

West Chester
2 N. Church Street
West Chester, PA 19382
610.429.3030

West Goshen
1115 West Chester Pike
West Chester, PA 19380
610.429.5860

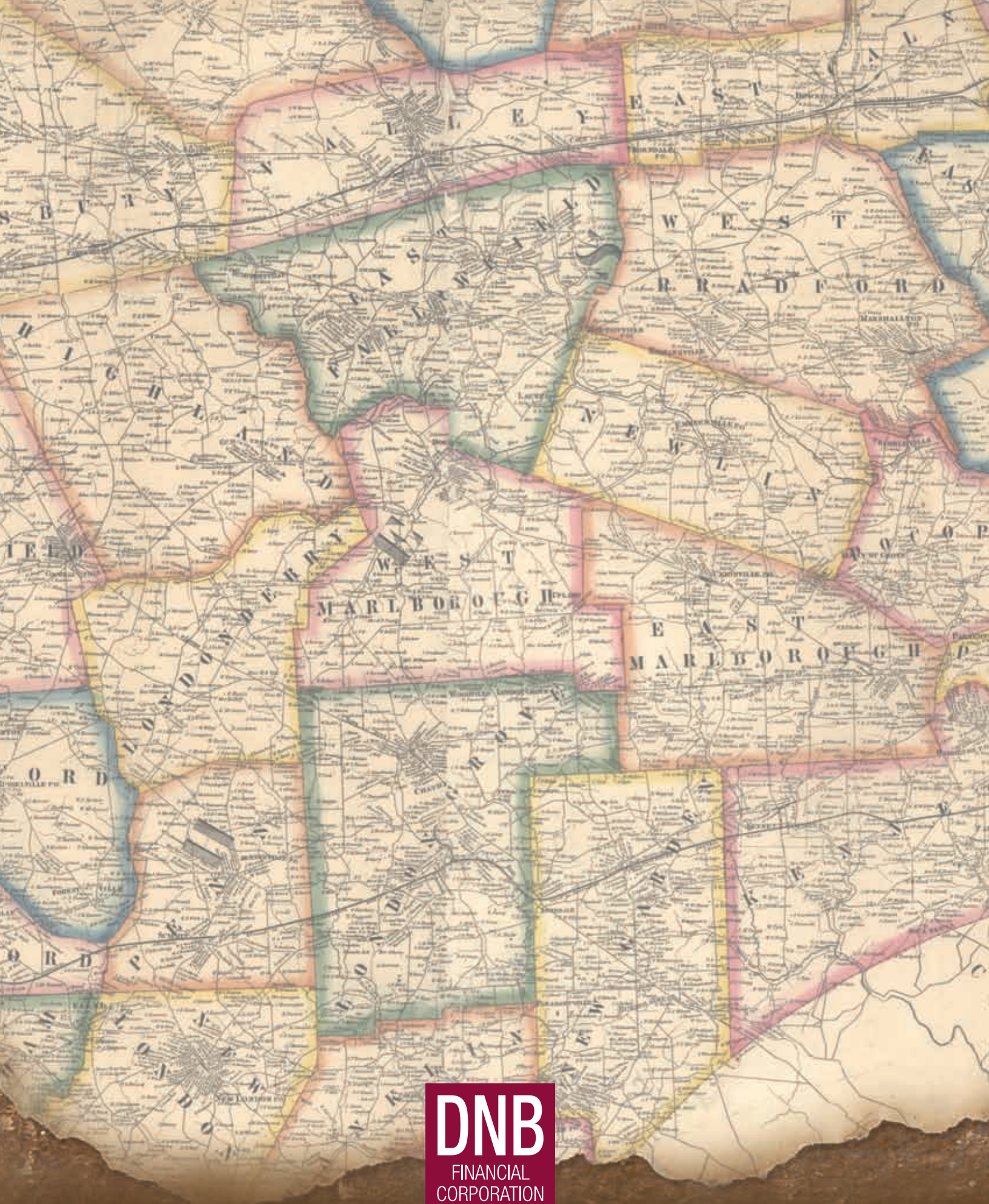


Management Team: William S. Latoff, Frank S. Monterosso, Richard J. Hartmann, William J. Hieb, Gerald F. Sopp, Albert J. Melfi, Jr., and Bruce E. Moroney

Executive Management Team and Officers of DNB First:

| | |
|-------------------------|--|
| William S. Latoff | <i>Chairman and Chief Executive Officer</i> |
| William J. Hieb | <i>President and Chief Operating Officer</i> |
| Richard J. Hartmann | <i>Executive Vice President - Retail Banking and Marketing</i> |
| Albert J. Melfi, Jr. | <i>Executive Vice President and Chief Lending Officer</i> |
| Bruce E. Moroney | <i>Executive Vice President and Chief Financial Officer</i> |
| Gerald F. Sopp | <i>Executive Vice President and Secretary</i> |
| Thomas L. Cozza | <i>Senior Vice President - Commercial Lending</i> |
| C. Tomlinson Kline, III | <i>Senior Vice President and Senior Credit Officer</i> |
| Frank S. Monterosso | <i>Senior Vice President - Operations</i> |
| Stasia H. Whiteman | <i>Senior Vice President - Commercial Lending</i> |

Our appreciation to The Chester County Historical Society and the Downingtown Area Historical Society for providing the various historic images used. Portrait photography by Jim Graham Photography, LLC. Annual Report design by Lori Cooperstein, Innovations Graphic Design, Inc.



DNB

FINANCIAL
CORPORATION

SM

DNB FIRST • 4 BRANDYWINE AVENUE, DOWNINGTOWN, PA 19335