



Values of the past.  
Vision for the future.  
**1860-2010**



**DNB Financial Corporation**  
**2010 Annual Report**

**Celebrating 150 years of serving our customers, communities — and a greater good.**

*On Saturday morning, April 28, 1860, prominent citizens in the newly established Borough of Downtown gathered together to discuss the establishment of a Bank of Issue, Discount and Deposit, to serve the needs of its citizens and the Downtown community. On September 3, 1860, the Downtown Bank was organized.*

*Though its name has changed, that bank still stands tall as DNB First, the oldest national bank in the greater Philadelphia region with 13 branch locations throughout Chester and Delaware counties.*

*Our long-standing values of delivering superior service, exceptional value, and commitment to supporting our communities remain the hallmarks of DNB First, and why the Bank has stood financially sound and strong amidst some of the most tumultuous times in the financial services industry. These values have served DNB First shareholders, customers, employees, and communities well in 2010, and are the basis of our vision for the future.*



**Thank you to our shareholders,  
customers, and employees who have  
put their trust in us.**

**Dear Shareholder:**

It is with much pride that we bring you the DNB Financial Corporation 2010 Annual Report. We're especially proud that it celebrates our 150th anniversary of serving our customers and communities, making us the longest-standing national bank in the greater Philadelphia region. This milestone comes at a time when many financial institutions, including some of our local competitors, have been acquired by larger banks from outside our region.

We are also proud that in 2010, another year of economic challenges, we saw strong growth in earnings and major improvement in most other areas. We are very pleased to have ended the year in such a strong position. Our focused and prudent approach has served us well, allowing us to restructure the balance sheet, while continuing to build capital. We have significantly reduced high cost borrowings and funded loan growth with core deposits and capital. We have controlled non-interest expenses and made investments in core business lines. We continue to believe that consistency, stability, and the ability to focus on core earnings and balance sheet strength are critical for success in today's challenging economic environment. As a result, net income for the full year of 2010 was \$3.7 million compared to \$1.5 million for 2009, a 137.0% increase. Earnings per common share for 2010 was \$1.16 on a fully diluted basis compared to \$0.38 for 2009. (We refer you to our 2010 Financial Highlights included in this report.)

Even with modest signs of an economic recovery, our national and regional economies remain fragile. Managing through these difficult times requires that we take the same approach that has guided us throughout our history – a commitment to fundamental banking and prudent decision making. We have created a defensive balance sheet against rising interest rates, while maintaining a strong capital base. These strategies leave us well positioned to benefit from an improving economy in 2011 and beyond.

It is particularly noteworthy that during the past 18 years, despite enduring some of the worst financial times, DNB Financial Corporation has not shown an annual loss. In fact, the fourth quarter of 2010 marked the best quarter in our history. Our commitment to strong fundamental banking has prompted us to maintain prudent underwriting standards and build core deposits and capital.

The strategies we implemented over the past five years have created the rewards shared by our customers and communities in 2010. For individuals, this meant having access to state-of-the-art banking services and exceptional values while businesses benefitted from our ability and willingness to lend.

Our local communities could also feel the presence of DNB First through the jobs created as a result of business growth, as well as the contributions and financial support DNB provided to schools, chambers, and other worthy community organizations throughout the counties we serve. Simply put, during the times our customers and communities needed us most, DNB First was there for them. In fact, we are very proud that during 2010, our loans grew \$36.7 million or 10.2% over loan levels at December 31, 2009.

Those core values, on which DNB First was built 150 years ago, have not changed. While other financial institutions are forced to get back to the basics, we will remain focused on the future – and deliver the values, service, and local commitment on which our customers and communities have come to rely.

Of course, all of our success in 2010 and in the past 150 years would not be possible without the shareholders who believed in us, the customers who entrusted their business to us, and the employees who represented us every day.

We thank you for your support and look forward to serving you for the next 150 years.



William S. Latoff  
*Chairman and CEO*



William J. Hieb  
*President and Chief Risk  
& Credit Officer*

## From the Pony Express to mobile banking, DNB First has been here to meet the needs of our customers.

The banking landscape has changed dramatically in the past 150 years. In 1860, the year the Pony Express was established, customers could pay their bills by making their own checks and affixing stamps right on them without using envelopes. Today, they can pay bills from virtually anywhere with services like online and mobile banking.

Though the ways our customers bank have changed dramatically, our commitment to doing what's best for them by providing superior personal service and honest values – has never wavered.

**Jason Iannelli**, Executive Director, Northeastern Joint Apprenticeship

"I went to DNB First in the Fall of 2010 to get a better rate on our money market account. I was so pleased with the service that I moved all my business and personal accounts over to them. I can't imagine banking with any other bank. They're always offering solutions to help me better run my business, like their OnSite Deposit Capture that lets me deposit multiple checks in seconds, right from my office. They've been phenomenal."

### A history of building business.

Downingtown's convenient geographic location in the heart of the Great Chester Valley and on the eastern branch of the Brandywine has made it an attractive place for businesses to operate for decades. As a community bank, DNB First has long recognized the value that businesses provide to our local economies in creating jobs and a better quality of life for all.

In 2010, as many local financial institutions continued to tighten credit, DNB First had the financial strength to continue to deliver credit solutions to help businesses manage day-to-day operations and build for the future. As a local bank, we were able to provide knowledgeable, experienced bankers who know the marketplace and understand the local business climate, provide fast turn-arounds on loan decisions, and access to the decision makers. Our strength and commitment to business banking also allowed us to continue to attract experienced bankers who serve as trusted advisors to their clients, helping guide them through unique economic challenges.

Our strong financial position and commitment to businesses have earned us a reputation as a financial institution that's an advocate for business. That's why we continued to work with local chambers of commerce and industry leaders to help create an atmosphere that attracts businesses to the region.



With services like remote deposit (OnSite Deposit Capture), businesses can scan and deposit checks right from their offices. Though technology like this has certainly changed the way our customers bank, our values of service, loyalty, and trust, have never wavered.



**Tommy Hannum**, Owner and President, Hannum Harley Davidson

*"We left a larger bank to come to DNB First. We've been so impressed. From the very beginning they've treated us like family. We're a third generation business so we really appreciate their long-standing commitment to the community and 150 years of service. We love that they're local and have helped connect us with other businesses. We know we can count on them to be there for us."*

### Helping generations of customers reach their goals.

In the 1860s, people knew the value of savings. Back then, people came to DNB with their passbooks in hand to make deposits. Today, with services like automatic transfers, direct deposit, and remote deposit capture, our customers can save money without leaving their homes or offices. Though the methods of saving have changed over the years, customers continue to choose DNB First for the same reasons they did in 1860 – the confidence that comes from banking with a financial institution they know and trust.



**L. Robert Frame, Esq.** Realtor,  
Caldwell Banker Preferred

*"I've banked with DNB First since I was a child – that's about 48 years ago. I can remember bringing in my passbook account and having the teller write in the date, the amount, and the interest earned. Over the years, I've used them for my personal and business banking.*

*They helped me finance my first real estate purchase – an office building in West Chester. A lot has changed since then, but one thing hasn't changed at DNB First – its focus on people. If I have a question or need help, I can just pick up the phone and get the help I need. You just don't find that today."*

### Changing with the times.

Our strong financials allow us to continue to invest in systems and technology to help our customers manage money and make financial decisions more easily. As proof of our commitment, we enhanced our website, invested in social media, and continued to promote mobile and online banking. Moving forward, we will continue to invest in technology to attract new generations of customers.

### Building and preserving wealth.

DNB First's financial stability could also be felt in the area of wealth management. In 2010, we enhanced our wealth management services, investing in additional personnel to continue offering investment management experience, superior personal service, and a full range of solutions. These advantages, coupled with our local presence, allow our customers to access a breadth of wealth management services – right where they live.

## Let your fingers do the banking.

484-691-DNB1

**Mobile and Online.**

CELEBRATING  
**150**  
years  
1860-2010

[DNBfirst.com](http://DNBfirst.com)

Member FDIC

## Reaching out to our communities.

At DNB First, our communities aren't just the places where we serve our customers; they represent the cities and towns where we are proud to live and work. That is why, throughout our history, we have strived to do our part to help improve them. Whether we were providing job and growth opportunities for our employees, supporting non-profit organizations to improve the quality of life for families, or connecting with our customers to offer financial education and support online, DNB First was proud to continue the tradition of responding to the needs of our communities in 2010.



In 2010, we were proud to celebrate our 150th anniversary, a significant milestone particularly at a time when local financial institutions were acquired by banks out of the region.

## The strength to stay local, committed, and right here.

Though our nation worked towards economic recovery in 2010, the effects of the recession continued to be felt across the region, as local community banks experienced difficulty, giving way to large regional banks from outside the area. Through it all, DNB First remained right here for our customers and communities. Customers could see our strength and stability in many ways – notably from the employees who continued to serve them day after day, year after year.



Christine Fox

Vice President, Branch Manager

*"What I like best about working for DNB First is that my customers know they can just come in and talk to me. They trust DNB First and know that if they have a question or problem someone will always be there to help them. It's why I could never work for a big bank."*



John Rode

Vice President, multi-site Branch Manager

*"I've been with DNB First since 1993. It's comforting to know that I work for a company that's sound and stable and has been around for so long. Plus, I have the advantage of getting to know my customers, since most of them live within a few miles of my branches.*

*And with products and services like mobile and online banking, our customers have the best of both worlds. They can do their banking from home or away from home and still deal with a local bank that knows them."*





### **Nourishing lives – together.**

With unemployment reaching record highs in 2010, the need to address basic human needs, such as hunger, increased dramatically. We were proud to do our part by supporting the Chester County Food Bank, a non-profit organization that provides food for those in need while focusing on hunger's role in poverty, health, and education.

The Food Bank is unique from other pantries in that they strive to provide fresh, nutritious food in addition to canned and prepackaged items. The organization owns acres of land where fresh vegetables are planted and harvested, and also receive extra produce from local farmers. In 2010, the Food Bank provided more than 130,000 pounds of locally grown produce from 43 different farms in the county.

For more information on this local organization, visit [chestercountyfoodbank.com](http://chestercountyfoodbank.com).



### **Supporting the Chester County Historical Society.**

Chester County has a unique heritage of being at the center of major events in America's history. One of the ways DNB First is proud to give back to our community is to support the Chester County Historical Society, a vibrant place where people can encounter, explore, and learn about the past.



*DNB First's commitment to the community is far reaching. We support events and institutions that unite our communities, and build support online through our advances in social media marketing. Pictured top left is the Downingtown High School Marching Band at the 2010 Tournament of Roses Parade. Pictured bottom left is the Downingtown High School graduation class of 1904. (Photo courtesy of the Chester County Historical Society.)*

## 2010 Financial Highlights

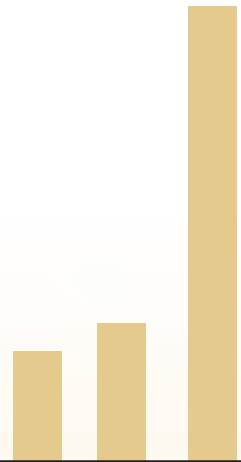
DNB Financial Corporation shares are traded on the Nasdaq Capital Market under the symbol: DNB.

2010 **\$3,670**  
2009 **1,549**  
2008 **809**  
(in thousands)



**Net Income** 08 09 10

2010 **\$1.16**  
2009 **0.38**  
2008 **0.31**



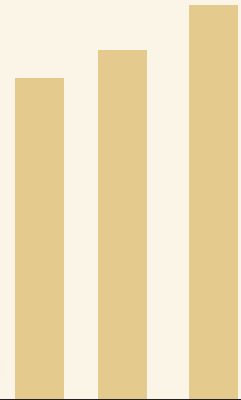
**Earnings Per Share** 08 09 10

2010 **\$355**  
2009 **336**  
2008 **267**  
(in millions)



**Core Deposits** 08 09 10

2010 **\$396**  
2009 **359**  
2008 **336**  
(in millions)



**Gross Loans** 08 09 10





## DNB Financial Corporation Board of Directors



Standing, left to right:

Thomas A. Fillippo, *Director; President, Devault Foods*  
Gerard F. Griesser, *Director; Principal, Prudential Fox & Roach/Trident*  
William J. Hieb, *Director; President, Chief Risk & Credit Officer*  
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*



## DNB Financial Corporation Advisory Board Members

Top row, left to right:

Eli Silberman, *Board Chair; President, TSG, Inc.*  
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, *CEO, Cansler Investment Group*  
Vincent T. Donohue, *Esq., Shareholder, Lamb McErlane PC*

Bottom row, left to right:

Isidoro Gonzalez, *MD, Senior Vice President, Programs and Training, Congreso*  
Charles A. Hackett, *CPA, President, Bliss & Co., Ltd.*  
James A. Mellon, Jr., *President, Mellon Certified Restoration*  
A. Joseph Rubino, *President, KSL Corporation*  
Kathy Scullin, *Vice President, Crozer-Keystone Health System*  
Charles E. Swope, Jr., *Swope Lees Commercial Real Estate, LLC*  
Cuyler H. Walker, *Esq., Partner, Pepper Hamilton, LLP*  
George C. Zumbano, *Esq., Shareholder, Gawthorp Greenwood, PC*

## Executive Management Team and Officers



Standing, left to right:

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

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

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

William J. Hieb, *President, Chief Risk & Credit Officer*

Richard C. Weber, *Managing Director of Wealth Management*

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

Andrew D. McMnamin, *Vice President, Director of Retail Services*

Catherine H. Hall, *Senior Vice President, Director of Marketing*

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

## Standing the test of time.

*If you visit the DNB First Main office on Brandywine Avenue in Downingtown, you can't help but notice a rather large and distinctive grandfather clock. This handsome clock was crafted in the workshop of Ellis and Isaac Chandlee in Nottingham, Chester County in 1793.*

*The Chandlee Clock features brass work and a painted dial enclosed in a walnut case of exquisite simplicity. It is highly functional as well, created at a time when people did not know the precise time and tended to gather where there were clocks.*

*The clock came to DNB First from Charles Downing, the last Downing to serve as President of the Bank. However, there is a local myth that the clock was given to the bank, along with a gold piece, by someone to pay off their debt.*

*To all those who see it, the clock is symbolic of the longevity and stability that has defined DNB First and the generations of depositors who have put their trust in us.*



## **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**

323 West State Street  
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

CELEBRATING |  
**150** |  
years



DNB Financial Corporation | 4 Brandywine Avenue | Downingtown, PA

