



DNB FIRST
is everywhere.



Here to make a difference to the shareholders, customers, employees, and communities that depended on us.

Whether we were providing affordable banking services and competitive rates to individuals, home loans to families, financing to businesses, or donations to fund uniforms for the local Little League teams, DNB First was proud to be here to serve those who depended on us. It's a tradition that started since we opened our doors more than 150 years ago, and one that we continued throughout the year.

We have always taken our role as a community bank very seriously and strived to be more than just a bank located in the community; we want to be the bank that is dedicated to helping the community prosper. We invite you to explore the many ways DNB First was here for our shareholders, customers, employees, and communities in 2011.

Dear Shareholder:

In a year that saw long-standing financial institutions from around the country disappear, DNB First stood strong, proud, and most importantly, here. We were here to deliver the values, products, and services that individuals and families needed to persevere in challenging times. We were here to provide capital and solutions to help companies at every phase of the business cycle. We also provided our employees with the stability of knowing their employer is financially strong and committed to their long-term success. And as always, we were here to participate in and support the events and organizations that have made our communities so strong, attractive, and unique.

Continuing our commitment to increasing shareholder value, DNB generated record earnings in 2011, proving that strong businesses continue to be successful even in difficult times. We have navigated through the toughest economic periods and most volatile markets in memory and remain strong and profitable. Our success cannot be attributed to a single quality, but a combination that includes prudent management, sound underwriting, and a business philosophy that focuses on relationships — not just the bottom line. To that end, we're pleased to report that net income for the 2011 full year was \$4.9 million compared to \$3.7 million for 2010, a 32.4% increase. Earnings per common share for the 12 months ended December 31, 2011 were \$1.53 on a fully diluted basis compared to \$1.16 for the same period in 2010. Our return on average assets for the full year of 2011 was .80% compared to .59% for 2010 and our return on average equity for 2011 grew to 10.01% from 8.03% for 2010.

During a time when the signs of other financial institutions in our neighborhoods were removed and replaced by those of bigger banks from outside the region, DNB First stood strong, ready, and here to serve the shareholders, customers, businesses, and employees who depended on us.

Once again, our financial strength and stability allowed us to advance our strategic initiatives of building core business lines. As free checking accounts at other financial institutions disappeared and larger banks began to introduce new fees, we added Free Checking Plus, which offers our customers free checking that includes ATM fee reimbursements.

We also greatly enhanced our wealth management capabilities by hiring several new and experienced professionals. Our commitment to this area allowed us to bring world-class wealth management to our clients.

In 2011, we were here for our customers in all the traditional ways that have been the hallmark of our success. In our branches, our customers were assisted by the local bankers who know them and have served them year after year.

Yet, even with our strength in these areas, we understood that in order to better serve our customers, we must reach them in new ways. Therefore, we continued to promote and enhance the benefits of services, such as Online and Mobile Banking. Additionally, we expanded our accessibility and presence in the online community through social media to ensure we stay connected to the needs of our customers and communities.

Our commitment to our customers transcended just helping them meet their financial goals; we strived to help improve the communities where they live. Whether you viewed our name in a Little League outfield, our employees delivering food to a local food bank, or our "financed by" sign at a construction site, you saw firsthand that DNB First was here to serve and give back to our communities.

Of course, all our work would not be possible without the investments our trusted shareholders have made in us, and the trust our customers and employees have put in us. We thank you all for your support and look forward to continuing to be here for you.

Sincerely,



William S. Latoff
Chairman and CEO



William J. Hieb
President and Chief Risk
& Credit Officer

Our commitment to our customers transcended just helping them meet their financial goals; we strived to help improve the communities where they live.

"As CEO of Miller's Insurance Agency, I am well versed in the standards for outstanding customer service. I have always been impressed with DNB First's relationship building efforts as they handle my personal banking needs, as well as the needs of my business. I value and appreciate DNB First for making me feel as though I am their only client, and not a number."

Fran Shaw, CEO, Miller's Insurance Agency

Pictured left to right: Shawn Neustadter, Chief Financial Officer; DNB First's Chris Breslin; Fran Shaw, Chief Executive Officer; and Thomas Skelley, Chief Operations Officer.



Better banking in two words:



- No fees
 - No minimum balance
 - Free online banking with bill pay
 - Free mobile banking
- Open your account today.**

484-691-DNB1

DNBfirst.com

Member FDIC

Our financial strength allowed us to continue to provide our customers greater value, including free checking accounts, which many of our competitors no longer offered.



At a time when larger banks entered the community, we continued to promote the benefits of working with a bank that's the right size to deliver personal service and solutions.

Here to help our customers save money, reach their goals, and make smart financial decisions.

In 2011, the need to save money became increasingly important for our customers. DNB First strived to make saving easier for them. At a time when bigger banks implemented new checking fees, including the introduction of debit card fees to offset declining interest income, DNB First delivered products and services designed to provide a higher level of value. This included a new addition to our suite of free checking solutions — Free Checking Plus. This unique account offers the advantage of no monthly fees plus ATM fee reimbursements, giving our customers the convenience of accessing their money anytime, anywhere without incurring costly fees.

We also continued to provide our customers with competitive rates on mortgages and home equity loans that allowed them to purchase and refinance homes, thereby helping stabilize our local communities.

In 2011, we not only delivered the right products and services to our customers, but also delivered them personally through our team of local bankers who live and work in the communities they serve. This reassured our customers that they were banking with people they know and trust.

Here to connect with our customers.

In 2011, we built upon our commitment to give our customers the flexibility to do business with us the way they want. In addition to offering convenience services, such as Mobile and Online Banking, we expanded the ways we reached our

customers by using a variety of media, including print, billboard, television, online marketing, and email blasts. We also invested in social media to connect with our customers in new ways.

We continued to make it easy for our customers to bank the way they want.



Here to build local businesses.

The combination of our willingness to lend money, commitment to deliver state-of-the-art cash management services, and dedicated team of local bankers allowed us to be here for business owners and provide peace of mind in challenging economic times.

Cognizant of the jobs and stability businesses bring to our economy, we continued to support Chambers of Commerce, the Economic Development

Council, and other organizations dedicated to helping fuel business growth.

Our dedication to helping local companies of all sizes helped us build valuable relationships within the business community and a strong reputation as a financial institution that is here for businesses.



Business owners need to know that their business is important to their financial institution. One of the ways DNB First demonstrated this was to provide our customers with access to the decision makers, such as Albert Melfi, Chief Lending Officer, pictured with Dr. Diane Disney from Penn State Brandywine at the Chester County Chamber's Women in Business Dinner.



"As an independent small business owner, I try to do business locally whenever I can. It's all about relationships and that's what DNB First is about – from the very top of their organization on down. Their CEO, Bill Latoff, called me to tell me how much he wanted to have my business on board. I select my vendors and business associates based on the value and their values. To me, value is made up of price, service, and quality. DNB First offers all of those to my business. At a time when technology has replaced personal interactions, DNB First has taken a personal interest in my business. I have business cards with the cell phone numbers of my bankers who are always available when I need them. I know they want my business to thrive."

Patrick Byrne, Proprietor, General Warren Inne



"DNB First is a great relationship bank that's provided us with commercial real estate loans. They're willing to work with small, family-owned businesses. And because they are local, they are able to get to know our business. I like that we don't have to go through a bunch of layers to get what we need."

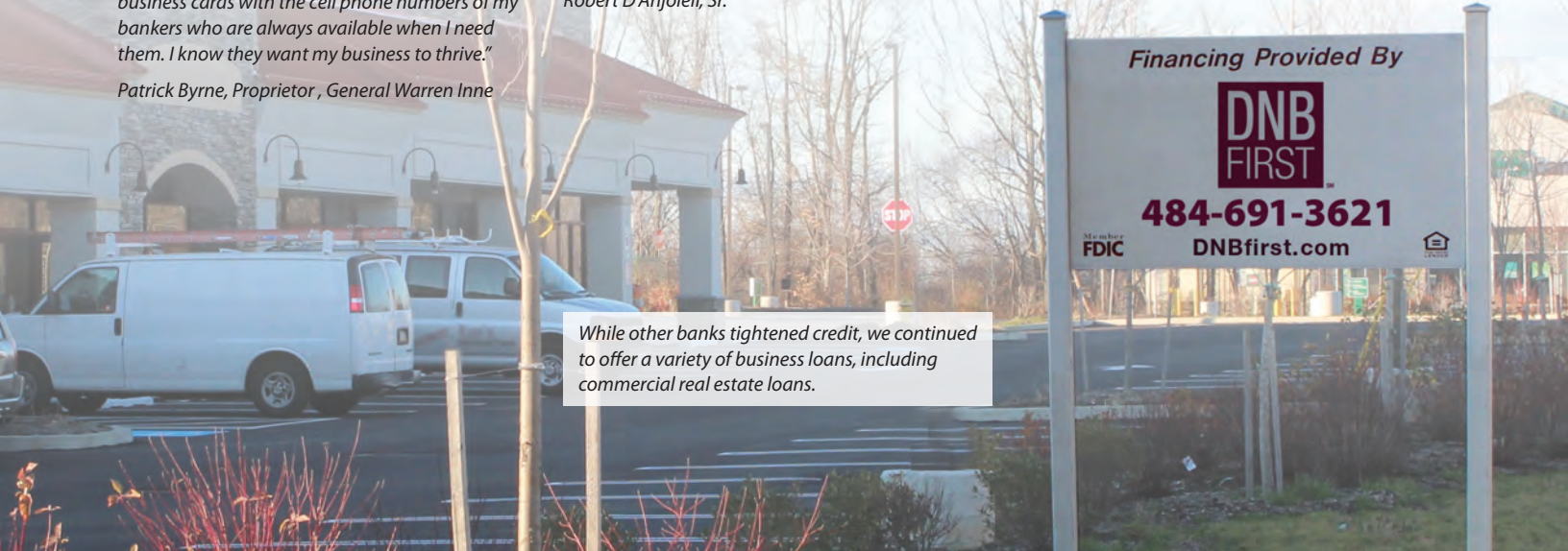
Robert D'Anjolell, Jr., Funeral Director/Co-owner, D'Anjolell Memorial Homes

Pictured left to right: Anthony Romano, Robert D'Anjolell, Jr., DNB First's Al Melfi, James D'Anjolell, Robert D'Anjolell, Sr.



"We have a very equipment-intensive business, and our banking relationship is critical to our success. From the beginning, DNB First listened to our story. They understood that we were transitioning to new markets and were able to put together solutions that worked for us. Their products, such as online banking and remote deposit capture, have really helped us succeed."

Gary Huddell, President, Ampro Sports



While other banks tightened credit, we continued to offer a variety of business loans, including commercial real estate loans.



"As a non-profit organization that provides pre-hospital emergency services, we have to be very careful about managing our money. Lives literally depend on our ability to provide our services. We picked DNB First Wealth Management because we trust them. Like us, they're part of the community and are able to give us a personal relationship and the services we need to serve our people."

Downingtown Police Chief Jim McGowan, Minquas Fire and Ambulance



With DNB First Wealth Management's experienced staff, clients, such as Stephanie Swope-Heffner, gain access to world-class wealth management expertise with the assurance that can only come from a provider they know and trust.

Here to help our customers achieve long-term wealth and security.

The uncertainty in the markets has made investors take a closer look at their financial partners and their long-term financial goals. DNB First used this opportunity to enhance our wealth management capabilities by hiring experienced wealth management

professionals. The addition of these professionals to our dedicated team has allowed us to offer world-class wealth management expertise to individuals, businesses, and non-profit organizations from a provider they know and trust.



**Some things just stand the test of time.
Like honesty, integrity, and experience.**

These days, it's hard to know whom you can trust with your money. At DNB First, individuals, businesses, and non-profits have been entrusting us with their wealth management needs for over 150 years. We offer a full range of wealth management solutions and a highly experienced team of professionals committed to delivering the ones that best meet your unique financial goals. So if you are looking for a local advisor that not only listens to your needs, but also has the integrity, experience, and proven track record to meet them, contact Steve McGarr, Business Development Officer, at 484-359-3082.



484-691-DNB1

DNBfirst.com

Our long-standing presence in the community and experienced wealth management team provided our clients with the assurance that they are working with a financial partner they know and trust.

Bringing world-class investment services right to our customers.



Here to strengthen our communities.

As a financial institution that's community-based, we have always believed that when we succeed our communities succeed. Our strong earnings and financial stability afforded us the opportunity to generously support the community organizations and events that bring people together. Our dedication to giving back can be seen throughout the communities we serve and the programs and support we deliver, which include:

- Chester County Food Bank
- Chester County Historical Society
- Chester County Economic Development Council
- Local Chambers of Commerce
- Boy Scouts
- March of Dimes
- Senior Centers
- Little League Teams
- Housing Partnership of Chester County
- SPCA
- Rotary Clubs
- Fire Companies
- Habitat for Humanity

In 2011, we were also here to donate more than \$330,000 to schools and educational institutions.

Also included in our efforts to respond to the growing needs of our community was our commitment to providing human and other resources to help those in the Hispanic community reach their financial goals.

Here to employ local people.

While unemployment levels remained high in 2011, DNB First's strong financial foundation allowed us to continue to provide steady employment for the employees and their family members who depend on us. This not only benefitted our employees, but also provided stability to our local communities.



In 2011, we reached out to the community to support Downingtown's Good Neighbor Day, an annual event that raises funds for local ambulance and rescue companies.



One of the many ways we supported education was through scholarships. Our CFO, Gerald Sopp awarded Downingtown High School Seniors, Jeremy Marshall (left) and Jonathan Mize (right), the Armand Taraschi scholarship to honor Armand's exceptional citizenship.



To help spice up the community, Team DNB First entered the Rotary Club of West Chester's Annual Chili Cook-off with their famous "Gold Rush Chili."



DNB First employees and their pets participated in the Chester County SPCA's "Walk For Paws" event.

We continued to proudly support youth sports, including the Mudcats from East Brandywine Youth Athletics (pictured here) and the Lugnuts from the Caln Athletic Association (pictured on back cover).

2011 Financial Highlights

2011 **\$4,902**

2010 **3,670**

2009 **1,549**

2008 **809**

(in thousands)

Net Income 08 09 10 11

2011 **\$1.53**

2010 **1.16**

2009 **0.38**

2008 **0.31**

Earnings Per Share 08 09 10 11

2011 **\$392**

2010 **355**

2009 **336**

2008 **267**

(in millions)

Core Deposits 08 09 10 11

2011 **\$404**

2010 **396**

2009 **359**

2008 **336**

(in millions)

Gross Loans 08 09 10 11

2011 **0.80**

2010 **0.59**

2009 **0.26**

2008 **0.15**

(percentage)

Return on Average Assets 08 09 10 11

2011 **10.01**

2010 **8.03**

2009 **3.76**

2008 **2.51**

(percentage)

Return on Average Equity 08 09 10 11

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



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, Chairman and Chief Executive Officer
 Mildred C. Joyner, Director; President of the Council on Social Work Education



DNB Financial Corporation Advisory Board Members

Top row, left to right:

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 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
 Isidoro Gonzalez, MD, Senior Vice President, Programs and Training, Congreso
 Charles A. Hackett, CPA, President, Bliss & Co., Ltd.

Bottom row, left to right:

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
 Greg R. Weisenstein, Ed.D., President, West Chester University
 George C. Zumbano, Esq., Shareholder, Gawthorp Greenwood, PC



Executive Management Team and Officers

Left to right:

Richard C. Weber, Managing Director of Wealth Management
Frank S. Monterosso, Senior Vice President, Director of Operations
Christopher M. Breslin, Director of Retail Services
William S. Latoff, Chairman and Chief Executive Officer
Gerald F. Sopp, Executive Vice President, Chief Financial Officer & Corporate Secretary

William J. Hieb, President, Chief Risk & Credit Officer
Bruce E. Moroney, Executive Vice President, Chief Accounting Officer
Catherine H. Hall, Senior Vice President, Director of Marketing
Albert J. Melfi, Jr., Executive Vice President, Chief Lending Officer

*Dedicated to delivering exceptional service –
at every level of our organization.*

Nourishing our communities – one life at a time.

With high unemployment and an increased cost of living, many families struggled to meet even the most basic of needs, including the need for food. Since January 1, 2010, the Chester County Food Bank has been bringing solutions to the table. "We are a non-profit organization that collects, grows, processes, stores, and distributes food to those who serve the hungry of Chester County, Pennsylvania," said Larry Welsch, Executive Director. The impact the Food Bank has had on the local community has been widespread. "We distributed over 1,200,000 pounds of food per year to over 65 organizations that include food cupboards, meal sites, and non-profit organizations."

In 2011, the demand for food was especially high throughout Pennsylvania and in Chester County, where the shelves of many food pantries were empty. "Demand was up 52% throughout Chester County despite the affluence of many of our cities and towns," commented Welsch.

The Chester County Food Bank was able to meet the rising demands of the communities that depend on it, thanks in part to donations from the generosity of many in the community, including DNB First. "We've always had a strong relationship with DNB First, but the food they helped collect and the donations they made in 2011 were invaluable to us."

To learn more about the Chester County Food Bank and how you can help, visit chestercountyfoodbank.org.



DNB First was proud to provide financial support to help the Chester County Food Bank carry out its mission. Shown is Larry Welsch, Executive Director (pictured left) with DNB First's Bruce Moroney.



We also supported the Food Bank through food drives in our branches. Pictured is DNB First's Catherine Hall with Larry Welsch of the Food Bank.



DNB Financial Corporation

4 Brandywine Avenue
Downingtown, PA 19335



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