



The Impact of Growth

2013 ANNUAL REPORT





The Impact of Growth

In these competitive times, growth is no longer a luxury for financial institutions, but a necessity. Today, we must continually focus on ways to grow, not for the sake of growth alone, but for the short- and long-term success of the people, businesses, and communities that depend on us.

This Annual Report highlights DNB First's strong record of financial growth and performance in 2013. The true impact of our growth, however, lies with the shareholders, customers, businesses, employees, and communities that will benefit from our strength for years to come.



Dear Valued Shareholders, Customers, and Employees:

We are proud to present our 2013 Annual Report, which reflects a very exciting and productive year for DNB Financial Corporation. During 2013, we delivered earnings, greatly strengthened our balance sheet, invested in expanded capabilities, and grew value for shareholders so that we can continue to have the strength and stability to positively impact you and our local communities for years to come. In a year that focused on building a solid foundation for the future, we hit the primary targets we had established for this early phase of our growth strategy.

In 2013, net income available to common shareholders was \$3.77 million or \$1.36 per diluted common share, compared with \$4.91 million or \$1.79 per diluted common share for the 12 months ended December 31, 2012. The lower year-over-year comparison reflects, in good part, decisive action taken during 2013 to write down and remove non-performing assets from our balance sheet. Entering 2014 with significantly improved asset quality and a strong capital position, we believe DNB has built a solid foundation for productive, profitable growth.

The operating results supporting our earnings reflected our 2013 commitment to growing revenue from a diversified mix of commercial, retail, and wealth management services. We met the challenges of a sluggish economic climate, increased regulatory costs, and an uncertain interest rate environment head on. Expanded banking relationships with our customers contributed to a 5.4% increase in net loans and a 5.3% increase in total deposits. The Company trimmed total interest expense 23% from 2012, reflecting ongoing interest rate management practices and the growth of core deposits. Growth in our wealth management business was also strong, resulting in a 23.5% increase in total assets under care, and a 43% increase in fee income from DNB Investment Management and Trust.

To support future growth and productivity, we made strategic investments, including upgrading infrastructure and facilities, adding product lines and services, hiring experienced individuals, and establishing a residential mortgage operation. Our enhanced capabilities ensure we have the ability to provide the range of financial solutions needed to continue growing.

When DNB succeeds, so do our stakeholders — customers, employees, shareholders, and communities. As a local company, we feel a particular responsibility to give back to the communities where we, and our customers, live and work. It is rewarding to contribute to our economy by providing employment, helping meet the financial needs of businesses and individuals, and supporting the charitable and civic organizations committed to improving the quality



of life for all. In addition to the financial support we provided to our community, our employees gave generously of their time and energy to support a variety of organizations, including schools, pantries and shelters, art organizations, and many others. Collectively, it is our pleasure to serve and support our community.

DNB's commitment to building value for shareholders was reflected in the value of our stock, which increased \$5.25 or 34% during the year, from \$15.50 to \$20.75. In addition, we paid our 18th consecutive quarterly cash dividend to common shareholders in the fourth quarter of 2013.

In 2013, we were pleased to welcome James Biery to our Board of Directors. Among his many accomplishments, he served as President and CEO of the Pennsylvania Bankers Association for 22 years. His knowledge and experience is a tremendous asset to our leadership team and our shareholders.

With a talented team leading the way, the greatest range of financial solutions in DNB's history, and a growth strategy that has shown early positive results, we are enthusiastic about our direction and ability to deliver results. We appreciate the steadfast support we have received from all our stakeholders, particularly as we navigated the challenges the past several years have presented. We look forward to demonstrating the highest levels of commitment to you in the coming year.

Sincerely,

A handwritten signature in black ink, appearing to read "William S. Latoff".

William S. Latoff,
Chairman and CEO

A handwritten signature in black ink, appearing to read "William J. Hieb".

William J. Hieb,
President and Chief Risk and
Credit Officer

The Yields of Growth

For a financial institution, growth can be measured in many ways – net income, revenue, asset size, or return on equity. At DNB First, we also measure growth in another way – by the impact our strength has had on the people and organizations we serve. Whether we were giving our valued customers more time and control over their money, providing credit to help local businesses expand, helping individuals pursue their passions, or assisting non-profit organizations with carrying out their missions, DNB First was proud to impact the lives of our shareholders, customers, neighbors, employees, and fellow members of the community.

Businesses, Jobs, and Stronger Economies

Our financial strength in 2013 and in previous years has been reflected in our ability to do something many banks have been unable to do – help local businesses get the credit they need to grow and prosper. We were proud to provide loans and cash management solutions to help local businesses, the lifeblood of our economies, reach new levels of growth.

In 2013, we continued to offer businesses a unique competitive advantage – a knowledgeable team of Relationship Managers. These

experienced professionals understand the local marketplace and are trusted advisors who can connect their clients to the solutions, resources, and people they need to succeed.

Our team of Relationship Managers is not the only benefit of local banking. DNB First also provides our customers with the benefits of local decisions and access to the decision makers, a big advantage not available with out-of-region financial institutions.



DNB First knows how important family-owned businesses, such as Talluto's Italian Foods, are to our community. Pictured with Al Melfi of DNB First, is Joseph F. Talluto, Director of Sales, (left) and his father Joseph A. Talluto, President and CEO (right).

Room to Grow



In 2013, we were proud to help our customers reach their goals. Pat Marrone was able to use a DNB First Home Equity Loan to give his mother her dream kitchen, where she proudly hosts Friday night family dinners.

her the kitchen she deserved and DNB First made the process so easy. They were helpful and offered the best home equity rate around. I would tell anyone who was doing business with DNB First to relax. They did exactly what they said they were going to do with no runaround or surprises."

Serving the Needs of Families

As a community bank, DNB First has always understood the importance of families and helping them reach their financial goals. It's something that Pat Marrone, a long-time DNB First customer, experienced when he turned to DNB First to get a home equity loan to help his mother renovate her kitchen.

"My mother loves to entertain and badly needed a new kitchen. I wanted to give

"When we needed a business loan in order to grow, the Small Business Development Center (SBDC) recommended DNB First. Choosing DNB was one of the best business decisions we ever made. DNB First isn't just a bank; they're a partner that's a critical part of our business. The relationship we have with them is not diluted; we are able to meet with the primary decision makers who actually know us. They've given us some very helpful advice and are always very interested in what we're doing. Currently, DNB First is helping us plan for future growth. They've always made it clear to us that our business is important to them."

Joe Talluto, Owner, Talluto's Authentic Italian Foods

Business Growth



In 2013, we continued to rise to the needs of customers, such as LeBus Bakery. Pictured from left to right is DNB First Relationship Manager, Thomas Cozza with LeBus Bakery's Master Baker, Moussa Doumbia; Founder/Owner, David Braverman, and Vice President of Operations, Anthony Labetti.

Rising to the Top

In 1978, when David Braverman opened the window of an old school bus he converted to a food vending truck to greet his first customer, he had no idea he would be opening the door to a growing and successful business. Today, the company has grown into a successful retail and wholesale business, LeBus Bakery, which offers a robust assortment of artisan baked goods. Recently, when the company needed a financial institution to accommodate its growth, they turned to DNB First.

"DNB has been fantastic. They were able to help us put together a package to help us enhance our equipment, expand our location, and manage cash flow. Working with them has been seamless, as they are able to advance the funds we need to keep production flowing. I don't know what we would do without them,"

Anthony Labetti, Vice President, LeBus Bakery

Long-Term Relationships

Our growth and financial strength is also one of the reasons DNB First has been able to stand by our customers – in good and challenging economic cycles. Robert Pearson, Partner in Glenelg Farms, a housing development, shares: *"In 2001, my partners and I were looking to obtain a construction loan to develop housing. DNB First stepped up to the plate and got us financed. At the time, the economy was good and the lots sold like clockwork. Based on the success of that model, in 2007, they helped us finance a second development. By 2008, the economy had worsened and we've hit some hard times over the past few years. Despite our struggle, DNB First has stood behind us. They really took the time to know us and have helped work with us through difficult times. They are one of the few banks willing to support construction loans because they want to help the community."*

Convenience and Control

As a community-based institution dedicated to serving our customers, DNB First has always strived to make banking more convenient and give our customers greater financial control. In 2013, we invested in technology to enhance our mobile banking capabilities. Customers may now download our

Mobile Money app to seamlessly and effortlessly conduct everyday banking from their smartphones or other mobile devices. Now, in addition to Mobile Money, we offer Mobile Deposit, which allows customers to deposit checks by taking photos with smartphones, eliminating trips to the branch.

"I live and work in Philadelphia so I can't easily get to a DNB First branch to make deposits. Usually, I have to wait until I come home to deposit my checks. My mother suggested I try Mobile Deposit. I couldn't believe how easy it was to use. I just took the picture of my check and before I knew it, the money was in my account. It definitely saved me time."

Kelsey Beam

Another way we improved financial convenience and control for our customers was through the introduction of Instant Issue Debit Cards. Now individuals and

business owners can request and receive DNB First Debit Cards instantly at any branch, without having to wait for them to arrive by mail.

Improving our Branch Network

In 2013, we made significant investments to improve the appeal of our branches, most notably our West Chester branch, which features new signage to increase the visibility of this important location, and houses additional office space for DNB First Wealth Management, Retail, and Commercial Banking. As part of our commitment to the arts in our communities, the branch also features paintings of historically significant events in Chester County created by local artist Adriane Martinez. Our comfortable and convenient branches are a reminder to members of the community that they are always welcome at DNB First.



Wealth Management

DNB First's impact in the community was not just felt by local businesses, but also by individuals and families looking to realize their goals. To help our clients manage and preserve wealth, we continued to enhance our Wealth Management offerings. The assets we administer increased 23.5%, indicating our clients are seeing the benefits of working with a local company they know and trust. In 2013, individuals and families relied on DNB First Wealth Management for a variety of reasons, including managing retirement funds, helping finance college educations, and preserving wealth through trusts.

Personal Growth



On the Course to Success

DNB Wealth Management has had a tremendous impact on the people in our communities, including local golfer and Morgantown resident, R.J. Wren, who was born with an injury that resulted in nerve damage to his shoulder and arm. At the age of seven, R.J. discovered a passion for golf. Today, a high school sophomore, R.J. has become an accomplished, competitive golfer. He was twice-named Philadelphia PGA Jr. Player of the Year and travels the country using his skills to raise money for Shriner's Hospitals for Children. To help make his golf story possible, his father, Russ Wren, credits DNB First Wealth Management.

"When R.J. was injured, we received a settlement for his care. DNB Wealth Management has helped us successfully manage those funds. The interest from the funds helps pay for the cost of R.J. to attend and participate in golf tournaments and do what he loves to do. DNB Wealth Management has had a major impact on R.J.'s life, helping him pursue his passion on and off the course."

Full-Service Banking

In 2013, we continued to invest in technology, people, and infrastructure to strengthen relationships with our customers. With Wealth Management, for example, we invested in a financial planning program to allow us to help our valued clients reach their financial goals for every stage of life. We also upgraded technology to invest in new products and services and to offer our wealth management clients an even higher level of service and reporting. Also in 2013, DNB First established a new mortgage unit to help more individuals and families reach their goal of homeownership and to allow us to build non-interest income to fuel our growth in the future.

With our new technology and targeted e-mail marketing efforts geared toward enhancing relationships with our customers, we are able to strengthen the relationships with our customers and increase returns for our shareholders. We also implemented extensive online marketing to attract new customers to the Bank. Collectively, these efforts will ensure we sustain the growth necessary to support our customers and communities for years to come.

To provide another cost-effective means of communication with our customers, we also continued to build on our social media efforts to illicit feedback and share news and helpful information.

"I'm the administrator of a trust for a deceased relative. The trust was with a local bank that was purchased by a larger bank, which wasn't a good fit for me. Moving the trust to DNB First Wealth Management was the best decision I could have made. They meet with me regularly to discuss their approaches and have provided nice returns on our funds. It all comes down to trust. People can only trust someone when they know them. I trust DNB because they don't just talk the talk; they walk the walk."

Dr. Timothy Blair, Dean and Professor of Piano, College of Visual and Performing Arts, West Chester University

Community Involvement

As a local bank, DNB First has always been dedicated to helping strengthen and give back to the local communities we proudly serve. In 2013, we continued to do our part to help improve the quality of life for all. Whether we were making charitable donations, providing funding for educational programs through Pennsylvania's Educational Tax Credit Program (EITC), dispatching employee volunteers to help feed the hungry, or investing in local programs that bring people together, our impact could be felt.

We were proud to give more than \$600,000 to a variety of local causes and programs as well as to non-profit organizations in Chester and Delaware Counties, including food pantries, churches, youth sports organizations, and the arts.



As part of our ongoing efforts to fight hunger, we sponsored a food drive to support the Lord's Pantry in Downingtown. The donations from employees and customers helped provide food to nourish local residents in need.



Preserving History

One organization, we continued to strengthen is the Chester County Historical Society. As President, Rob Lukens shares: *"DNB First has significantly helped us grow in so many ways. First, they are the leading funder of the Educational Improvement Tax Credit Program (EITC), which has enabled us to provide educational programs to thousands of Chester County students. They have also helped us strengthen our financial position through lending and investment management and provided strong leadership on our Board of Trustees for more than a decade, helping us expand our relevance and profile in the community."*



To support children's health, in 2013, we continued to take important steps to support the March of Dimes, "March for Babies," which helps promote healthy, full-term pregnancies for mothers.

Financial Growth



Teaching Personal Finance

To help foster educational literacy in our communities, DNB First was proud to invest in the DNB First Financial Literacy Program. This unique program, provided in conjunction with Everfi, the leading educational technology company, offers financial education programs to help Downingtown and West Chester High School students make smart financial decisions. Topics covered include managing credit cards, financing college, and understanding the importance of savings.

"DNB First understands how important young people are to the future of our communities, and is dedicated to helping provide them with the financial education they need to make smart financial decisions today – and in the future," adds William S. Latoff, DNB First Chairman and CEO.

DNB Financial Corporation — Selected Financial Data

Results of Operations	2013	2012	2011	2010	2009
Interest income	\$23,212	\$25,729	\$26,174	\$26,050	\$25,948
Interest expense	2,888	3,755	4,644	7,062	10,629
Net interest income	20,324	21,974	21,530	18,988	15,319
Provision for credit losses	2,530	1,455	1,480	2,216	1,325
Non-interest income	4,795	4,088	3,643	5,430	4,507
Non-interest expense	17,450	17,262	16,725	16,903	16,590
Income before income taxes	5,139	7,345	6,968	5,299	1,911
Income tax expense	1,220	2,106	2,066	1,629	362
Net income	\$3,919	\$5,239	\$4,902	\$3,670	\$1,549
Preferred stock dividends & accretion of discount	148	332	779	618	567
Net income available to common stockholders	\$3,771	\$4,907	\$4,123	\$3,052	\$982

Per Share Data	2013	2012	2011	2010	2009
Basic earnings	\$1.38	\$1.81	\$1.54	\$1.16	\$0.38
Diluted earnings	1.36	1.79	1.53	1.16	0.38
Cash dividends	0.28	0.20	0.12	0.12	0.23
Book value	16.55	16.08	14.14	12.55	11.88
Weighted average Common shares outstanding — basic	2,742,417	2,710,819	2,674,716	2,635,549	2,606,596

Financial Condition	2013	2012	2011	2010	2009
Total assets	\$661,473	\$639,568	\$607,099	\$602,332	\$634,248
Loans and leases, gross	415,354	396,498	403,684	396,171	359,427
Allowance for credit losses	4,623	6,838	6,164	5,884	5,477
Deposits	558,747	530,424	497,545	492,746	507,347
Borrowings	39,674	46,864	53,647	60,230	79,450
Stockholders' equity	58,583	56,705	51,056	45,208	42,876

Selected Ratios	2013	2012	2011	2010	2009
Return on average stockholders' equity	6.75%	9.61%	10.01%	8.03%	3.76%
Return on average assets	0.60	0.84	0.80	0.59	0.26
Average equity to average assets	8.92	8.98	7.99	7.40	6.87
Loans to deposits	74.34	74.75	81.14	80.40	70.84
Dividend payout ratio	20.65	11.17	7.84	10.37	59.68

At or for the year ended December 31 (Dollars in thousands, except share data)

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

Advisory Board Members DNB Financial Corporation



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., Chairman, Buckley, Brion, McGuire
 & Morris LLP
 Jeffrey P. Brown, Partner, KMRD Partners, Inc.

Second row, left to right:

Joseph J. DellaVecchia, III, President, DellaVecchia, Reilly, Smith
 and Boyd Funeral Home
 Vincent T. Donohue, Esq., Shareholder, Lamb McErlane PC
 Charles A. Hackett, CPA, President, Bliss & Co., Ltd.
 Rosaria Hawkins, PhD, President, Take Charge Consultants, Inc.

Third row, left to right:

Matthew D. Kelly, Partner, Carnegie Wealth Management
 James A. Mellon, Jr., President, Mellon Certified Restoration
 A. Joseph Rubino, General Partner, Rubino Holdings LP
 Charles E. Swope, Jr., Swope Lees Commercial Real Estate, LLC

Fourth row, left to right:

Cuyler H. Walker, Esq., Partner, Pepper Hamilton, LLP
 Joan Walsh, Co-Owner, Kashbox Consulting
 Greg R. Weisenstein, Ed.D., President, West Chester University
 George C. Zumbano, Esq., Shareholder, Gawthrop Greenwood, PC

Wealth Management Advisory Board



Top row, left to right:

Jay G. Fischer, Esq., Partner, Valocchi & Fischer
 Frank Hayes, Esq., Partner, Hayes & Romero
 Suzanne R. Jackson, CPA, Owner, SR Jackson, LLC
 Jerry L. Johnson, Esq., Attorney at Law

Second row, left to right:

Donald B. Lynn, Jr., Esq., Partner, Larmore Scarlett, LLP
 Stacey Willits McConnell, Esq., Partner, Lamb McErlane, PC
 John McKenna, Esq., Shareholder/Director, MacElree Harvey, Ltd.
 Anthony Morris, Esq., Partner, Buckley, Brion, McGuire
 & Morris LLP

Third row, left to right:

Stephen J. Olsen, Esq., Gawthrop Greenwood, PC
 Robert S. Supplee, Esq., Robert S. Supplee, PC
 Richard C. Weber, Board Chair, Managing Director,
 DNB First Wealth Management



Board of Directors DNB Financial Corporation

Seated, left to right:

James J. Koegel, Director; President, Jones Motor Group, Inc.
William S. Latoff, Chairman and Chief Executive Officer
Mildred C. Joyner, Director; President of the Council on Social
Work Education

Standing, left to right:

James H. Thornton, Director; President, Thornton Consulting
William J. Hieb, Director; President and Chief Risk and Credit Officer
Gerard F. Griesser, Director; President, Fox & Roach/Trident
Thomas A. Fillippo, Director; President, Devault Foods



Executive Management Team and Officers

Seated:

William S. Latoff, Chairman and Chief Executive Officer
William J. Hieb, President and Chief Risk and Credit Officer
Catherine H. Hall, Senior Vice President, Director of Marketing
Albert J. Melfi, Jr., Executive Vice President, Chief Lending Officer
Gerald F. Sopp, Executive Vice President, Chief Financial Officer
and Corporate Secretary
Frank S. Monterosso, Senior Vice President, Director of Operations

Standing, left to right:

James F. Gagliano, Director of Retail Services
Richard C. Weber, Senior Vice President, Managing Director of
Wealth Management
Bruce E. Moroney, Executive Vice President, Chief Accounting Officer

DNB First Branch Locations

Boothwyn

3915 Chichester Avenue
Boothwyn, PA 19061

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

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