

Dear Fellow Shareholder:

We are very pleased to report increased profits during the first quarter of 2009. Net income was \$480,000 compared to \$409,000 for the same period 2008. In addition, DNB First remains well capitalized by regulatory standards. These results are in contrast to many reports by other banks, showing losses or reduced profits.

Expense control, cost of funds management and deposit growth each played a key role in our first quarter 2009 performance. As other institutions react to the market compression by reducing their market presence and involvement, DNB First has stood out as we continue to do what we have always done best: offer local municipalities, small- to medium-size businesses and area residents the vital financial services they need. The extraordinary circumstances affecting the global economy and resulting impact on our local community have provided us with an unprecedented opportunity to showcase the bank services to our clients and community.

Core deposits, including demand, money market, NOW and savings deposits, increased \$32.1 million in total or 12.03% as compared to December 31, 2008 levels. These funds are core to our deposit-gathering strategy due to their longer duration and the ability to better support our liquidity needs. This growth strategy contributed to the bank's average cost of funds dropping 25 basis points to 2.14% as compared to 2.39% for the three months ended December 31, 2008. Overall deposit balances increased in the aggregate by \$21.5 million, or 5.26%, as compared to December 31, 2008.

Our strong capital position will allow us to grow in spite of the extraordinary market and economic conditions. At the end of the first quarter 2009, the total risk-based capital ratio stood at 14.12%, exceeding regulatory guidelines for well capitalized institutions.



STRONG, STABLE AND PREPARED FOR THE NEXT 150 YEARS



Downtown Main at Lincoln and Brandywine Avenues has been the headquarters location for DNB First for most of the Bank's existence.

Key to the Bank's nearly 150 year survival and success has been the ability to deliver on the promise of personal service while adapting to ever-changing customer expectations of convenience.

The bank building and its operations have expanded and been modified as the community enlarged and the customer needs grew more sophisticated. Computer systems replaced hand written passbooks and journals. Branches were added to expand the bank's footprint and incorporate Delaware County. Electronic account access have been added to allow individuals and businesses to bank virtually wherever and whenever they want.

What has never changed is the Bank's commitment to its customers and the community. Charles Downing, our first President, would be pleased to know that the same guiding principles on which the bank was founded give us our ongoing direction. That direction includes operating prudently, providing financial solutions to meet our customers needs, giving back in greater magnitude than we take, and always remembering that we are here to serve those who place their trust in us.

Total assets increased \$33.7 million or 6.31% when compared to December 31, 2008. Management chose to increase liquidity during the quarter by holding more cash and investing in short term securities that provide strong cash flows.

The banking industry continued to experience serious challenges in terms of loan credit quality and increasing loan delinquencies. Net loan and lease balances were down \$4.9 million or 1.47% for the first quarter 2009 as compared to December 31, 2008, reflecting the slowdown in both consumer and business activity. At March 31, 2009, the allowance for credit losses at \$4.6 million remained unchanged as compared to December 31, 2008. Unlike some of our competition, DNB First continues to proactively seek out business and consumer loan activity. As businesses seek to expand and consumer confidence returns, we are well positioned to capture that business.

As participants in the FDIC Transaction Account Guarantee program, customer non-interest bearing transaction accounts and specific account types with rates of 0.50% or less will receive FDIC insurance coverage for their entire balance through December 31, 2009. This is in addition to and separate from the FDIC general deposit insurance coverage. Especially now, this coverage is important to the many businesses and non-profits which hold their accounts with us.

As the company makes progress in our short- and long-term goals, we once again thank you for your continued support.

Sincerely,



William S. Latoff
Chairman and Chief Executive Officer



William J. Hieb
President and Chief Operating Officer



The 2009 Loyalty To Service Awardees were announced at a special breakfast held at the Government Services Building in West Chester. Pictured are (left to right): DNB First Chairman and CEO William S. Latoff; Heide Carlson, Gina Buckman, Dr. Patricia Joseph; Regina D. Horton-Lewis; and DNB First President and COO William J. Hieb.

THE DNB FIRST LOYALTY TO SERVICE AWARDEES FOR 2009

2009 marked the fourth annual Loyalty To Service Awards. Commitment to our community is an important element of DNB's mission. Social services providers are the unsung heroes of the community. These awards honor those professionals who enhance the field of social work and the community at large through high levels of dedication, integrity and commitment.

DNB Financial Corporation

Summary of Financial Statistics

(Dollars in thousands, except per share data)

Three Months Ended March 31

	<u>2009</u>	<u>2008</u>
Earnings:		
Interest income	\$6,114	\$7,272
Interest expense	2,617	3,709
Net interest income	3,497	3,563
Provision for credit losses	100	60
Non-interest income	1,278	1,200
Non-interest expense	4,106	4,194
Income before income taxes	569	509
Income tax expense	89	100
Net income	480	409
Preferred stock dividends	98	-
Net income available to common shareholders	382	409
Net income per common share, diluted	\$0.15	\$0.16
Performance ratios:		
Interest rate spread	2.68%	2.77%
Net interest margin	2.75%	2.86%
Return on average equity	5.14%	4.90%
Return on average assets	0.36%	0.31%

	<u>March 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>
Financial position:		
Securities	\$132,775	\$124,126
Loans and leases	331,514	336,454
Allowance for credit losses	4,641	4,586
Total assets	567,121	533,447
Deposits	429,948	408,470
Borrowings	91,747	90,123
Stockholder's equity	41,152	30,058
Equity Ratios:		
Tier 1 leverage ratio	9.82%	7.46%
Risk-based capital ratio	14.12%	12.02%
Book value per share	\$11.24	\$11.53

Stock**

DNB Financial Corporation's common stock is quoted on NASDAQ under the symbol "DNBF"

Transfer Agent

Registrar & Transfer Company
10 Commerce Drive
Cranford, NJ 07016
800-223-8969

Market Makers

Boenning & Scattergood, Inc. 800-842-8928
Janney Montgomery Scott, Inc. 800-526-6397

** Investing in DNB Financial Corporation is easy and convenient. For information, contact the Transfer Agent at the number listed.

Corporate Headquarters: 4 Brandywine Avenue, Downingtown, PA 19335 • **Website:** www.dnbfirst.com



4 Brandywine Avenue
Downingtown, PA 19335

Downingtown/Main

4 Brandywine Avenue
Downingtown, PA 19335

Caln

1835 E. Lincoln Highway
Coatesville, PA 19320

Chadds Ford

300 Oakland Road
West Chester, PA 19382

Downingtown/East End

701 E. Lancaster Avenue
Downingtown, PA 19335

Exton

410 Exton Square Parkway
Exton, PA 19341

Kennett Square

215 East Cypress Street
Kennett Square, PA 19348

Lionville

891 N. Pottstown Pike
Exton, PA 19341

Little Washington

104 Culbertson Run Road
Downingtown, PA 19335

Ludwig's Corner

1030 N. Pottstown Pike
Chester Springs, PA 19425

Media

200 E. State Street, Suite 208
Media, PA 19320

Tel Hai (residents & staff only)

1200 Tel Hai Circle
Honey Brook, PA 19344

West Chester

2 N. Church Street
West Chester, PA 19380

West Goshen

1115 West Chester Pike
West Chester, PA 19380

DNB Advisors

410 Exton Square Parkway
Exton, PA 19341
610-269-4657

DNB Financial Services

410 Exton Square Parkway
Exton, PA 19341

DNB Leasing

4 Brandywine Avenue
Downingtown, PA 19335

Call 484-691-DNB1 or visit www.dnbfirst.com