

Dear Fellow Shareholder:

We believe that DNB Financial is performing admirably considering the overall economic environment. We are carefully watching expenses, growing core deposits, maintaining our very strong capital position, and strategically expanding relationships with local municipalities, small- to medium-size businesses and area residents. Over the long term, we believe that the steps we have taken to preserve shareholder value and position the bank for growth will generate a significant return on our investment.



Core deposits, including demand, money market, NOW and savings deposits, increased \$40.2 million in total or 15.06% as compared to December 31, 2008 levels. This is the second consecutive quarter of double-digit growth in core deposits. Clearly, DNB's sound financial condition, strong capital base, and consistent presence in the market resonate with the local customers with whom we do business. Bank safety and soundness has never been more important than it is now, and these attributes are key selling points as we compete for local deposits while many of our competitors are in a weakened financial condition, being acquired, or both. Despite the growth in deposits, we continued to reduce the bank's average cost of funds to 1.95%, down 19 basis points from 2.14% for the three months ended March 31, 2009.

DNB continues to meet regulatory requirements for a well-capitalized bank at June 30, 2009 with a total risk-based capital ratio of 14.48% and tier I leverage ratio of 8.99%, compared to minimum levels of 10.00% and 5.00%, respectively. This strong capital position provides us with a significant competitive advantage at a time when customers are paying closer attention to the underlying financial strength of the financial institutions with which they do business.

**STRONG, STABLE AND
PREPARED FOR
THE NEXT 150 YEARS**



Downingtown 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 expanded and our customers' 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 has 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, offering expert help to customers, 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 \$76.3 million or 14.32%, to \$609.8 million, up from \$533.5 million at December 31, 2008. This growth reflects our ongoing strategy to increase liquidity by holding more cash and investing in short term securities that provide strong cash flows.

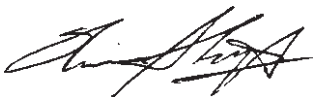
DNB carefully managed its credit exposures to real estate over the years; however, due to the economic slowdown in consumer and business activity and the continued slump in the housing market, we did experience some deterioration in credit quality. At June 30, 2009, the allowance for credit losses was \$4.9 million, up \$334,000 or 7.28%, when compared to December 31, 2008 and up \$278,000 as compared to March 31, 2009.

During the second quarter, DNB Financial Corporation reported a net loss of \$39,000, or (\$0.07) per share on a diluted basis, compared to net income of \$431,000 or \$0.17 per share in the second quarter of 2008. Included in the second quarter results was a special assessment levied on all banks by the FDIC, which increased our quarterly non-interest expense by \$280,000. Without this special assessment, DNB would have been profitable during the quarter. While we are disappointed in the quarterly loss, we believe it reflects the continued recessionary economic conditions, and we continue to build franchise value and position our business to generate core earnings growth when the economy improves.

With our strong capital base, balance sheet, and liquidity, DNB has the financial strength, willingness, and ability to support our customers borrowing needs. We are preparing for continued growth, and see a significant opportunity to emerge from the current recession as a strong local bank that stayed healthy and continued to lend.

We thank our shareholders for their continued support, and invite you to let us know if you have any questions regarding the second quarter financial results.

Sincerely,



William S. Latoff
Chairman and Chief Executive Officer



William J. Hieb
President and Chief Operating Officer

DNB Financial Corporation
Summary of Financial Statistics
(Dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
EARNINGS:				
Interest income	\$6,350	\$6,883	\$12,463	\$14,155
Interest expense	2,625	3,049	5,242	6,758
Net interest income	3,725	3,834	7,221	7,397
Provision for credit losses	300	454	400	514
Non-interest income	864	1,387	2,142	2,587
Non-interest expense	4,379	4,231	8,484	8,425
Income (loss) before income taxes (benefit)	(90)	536	479	1,045
Income tax (benefit) expense	(51)	105	39	205
Net (loss) income	(39)	431	440	840
Preferred stock dividends	147	0	245	0
Net (loss) income avail. to common shareholders	(186)	431	195	840
Net (loss) income per common share, diluted*	\$(0.07)	\$0.17	\$0.07	\$0.32
PERFORMANCE RATIOS:				
Interest rate spread	2.62%	2.98%	2.65%	2.87%
Net interest margin	2.68%	3.06%	2.71%	2.96%
Return on average equity	(0.38%)	5.20%	2.24%	5.05%
Return on average assets	(0.03%)	0.33%	0.16%	0.32%

	<u>June 30</u>	<u>December 31</u>
	<u>2009</u>	<u>2008</u>
FINANCIAL POSITION:		
Securities	\$ 201,294	\$ 124,126
Loan and leases	333,151	336,454
Allowance for credit losses	4,920	4,586
Total assets	609,815	533,447
Deposits	450,761	408,470
Borrowings	113,893	90,123
Stockholders' equity	40,806	30,058
EQUITY RATIOS:		
Tier 1 leverage ratio	8.99%	7.46%
Risk-based capital ratio	14.48%	12.02%
Book value per common share*	\$ 11.16	\$ 11.53

Stock**

DNB Financial Corporation's common stock is traded 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



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Downingtown, PA 19335

Downingtown/Main

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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

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West Chester, PA 19380

West Goshen

1115 West Chester Pike
West Chester, PA 19380

DNB Advisors

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DNB Financial Services

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Call 484-691-DNB1 or visit DNBFirst.com