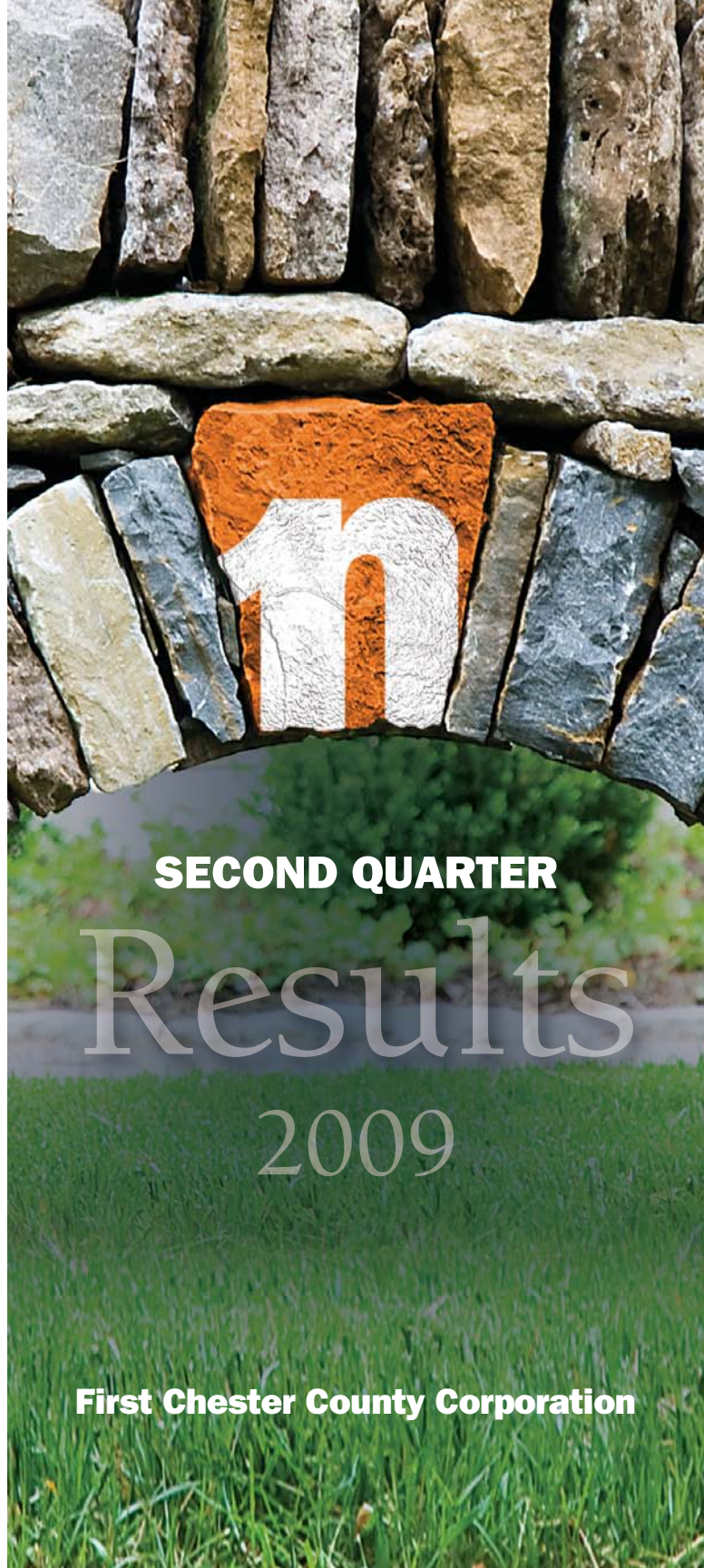




**First Chester County**  
Corporation

9 North High Street, West Chester, PA 19381



**SECOND QUARTER**

Results

2009

**First Chester County Corporation**

# To our valued Shareholders and Friends...



We are pleased to report that the strong financial performance of the first quarter has been sustained for the second quarter of fiscal 2009 ended June 30, 2009. Net income in the second quarter of 2009 was \$2.2 million, up from \$1.8 million in the second quarter of 2008 while diluted earnings per share were \$0.36, up from \$0.35 per diluted share for the second quarter of 2008. The increase in earnings per share was accomplished despite the more than 1 million additional average shares outstanding in the second quarter this year compared to last year. This was due to the shares issued in connection with the acquisition of American Home Bank (AHB) on December 31, 2008. Indicative of the strong overall growth of First Chester County, total assets at quarter end were \$1.45 billion, up 48.7% from June 30, 2008, primarily due to the addition of AHB. Reflecting their continued confidence, your Board of Directors also declared and paid another \$0.14 per share dividend to all shareholders of record of First Chester County common stock as of June 2, 2009. The cash dividend was paid on July 2, 2009.

Spurred by historically low rates, homeowners have rushed to refinance their high or adjustable rate mortgages. As a result, we have originated nearly \$1.5 billion in mortgages over the first half of the year. This has translated into a significant increase in the income we have earned on our various mortgage banking activities. In addition, the steady withdrawal from our market of some large national financial institutions as well as the various challenges being experienced by many local and regional banks has created a more favorable competitive environment. With our diversified portfolio of traditional banking and wealth management products, and disciplined credit culture, we are strengthening our franchise in our attractive markets to build value for our shareholders.

We have been able to capitalize on these opportunities because of our commitment to serving the needs of our customers with outstanding service and products. Especially in today's uncertain times, customers need a bank they can trust. For 145 years, First Chester County has earned their trust and confidence by maintaining a strong financial position. At June 30, 2009, First Chester County remained a well-capitalized financial institution under all regulatory standards, in part due to a \$5.2 million trust preferred securities issuance in the second quarter. This is a sign that we have earned the trust of not only our customers, but the financial markets as well.

The success of the American Home Bank acquisition has provided a new platform for growth. To leverage this exciting opportunity the people of Capital Mortgage Finance Corp. have recently joined with AHB. Established in 1993, Capital Mortgage is based in Columbia, Maryland and has lending offices in Maryland, Pennsylvania, Delaware, New York, North Carolina, Tennessee and Colorado. Capital Mortgage enhances our mortgage origination capabilities and provides us with added presence in growing markets. At the same time, the synergies between our operations are significant, as Capital Mortgage will benefit from additional funding sources and our loan servicing capabilities. Like AHB, Capital Mortgage has maintained high standards in its loan origination practices. We welcome Capital Mortgage employees and customers to the First Chester County Corporation family and look forward to working with them to help meet the needs of the new communities we now serve.


The first half of 2009 has been one of the financial market's most tumultuous periods in recent history. First Chester County has emerged from this challenging period in a strong financial position, with an expanded portfolio of products and services, and with an outstanding workforce. Although we have had a very successful first half of the year, economic conditions remain extremely difficult. To continue to build value for shareholders, we remain dedicated to meeting the needs of our customers while improving our efficiency to expand and strengthen our franchise.

We want to thank our many loyal shareholders for their continued support.

Sincerely,



John A. Featherman, III  
Chairman of the Board, CEO



Kevin C. Quinn  
President



# FIRST CHESTER COUNTY CORPORATION

## Selected Financial Data (Unaudited)

### Selected Financial Data

(Dollars in thousands, except per share data)

	JUNE 30,		DECEMBER 31,
	2009	2008	2008
Total assets	\$1,451,276	\$976,150	\$1,300,178
Loans held for sale	\$341,609	\$342	\$90,940
Gross loans and leases	\$947,914	\$786,206	\$940,083
Allowance for loan & lease losses	\$12,016	\$8,433	\$10,335
Total investment securities	\$81,893	\$114,855	\$114,584
Deposits	\$1,015,434	\$729,346	\$1,015,192
Federal Home Loan Bank and other borrowings	\$305,373	\$153,102	\$171,170
Shareholders equity	\$90,004	\$68,641	\$85,317
Average assets	\$1,338,944	\$973,975	\$987,263
Average equity	\$88,015	\$69,187	\$68,865
Non-accrual loans	\$19,111	\$2,042	\$10,515
Financial Management Services Assets under management & custody *	\$505,961	\$557,016	\$484,607

### Per Share Data

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
Net income per share (Basic)	\$0.36	\$0.36	\$0.77	\$0.65
Net income per share (Diluted)	\$0.36	\$0.35	\$0.77	\$0.65
Cash divided declared	\$0.140	\$0.140	\$0.280	\$0.280
Book value	\$14.27	\$13.23	\$14.27	\$13.23
Average bid/ask	\$10.30	\$15.00	\$10.30	\$15.00
Basic weighted average shares	6,268,195	5,187,398	6,255,295	5,181,955
Diluted weighted average shares	6,268,195	5,206,736	6,255,295	5,202,278

\* These assets are managed by the Wealth Management Division of the Bank and are not assets of the Bank or the Corporation.

# Statement of Income

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
Interest income .....	\$17,475	\$13,796	\$33,782	\$27,873
Interest expense .....	\$5,752	\$5,647	\$11,933	\$11,846
Net interest income .....	<b>\$11,723</b>	<b>\$8,149</b>	<b>\$21,849</b>	<b>\$16,027</b>
Provision for loan and lease losses .....	\$1,572	\$449	\$2,959	\$660
Net-interest income after provision for loan and lease losses .....	<b>\$10,151</b>	<b>\$7,700</b>	<b>\$18,890</b>	<b>\$15,367</b>
Wealth Management and advisory services .....	\$1,048	\$1,080	\$1,966	\$2,075
Service charges on deposit accounts .....	\$659	\$643	\$1,291	\$1,196
Net investment securities gains (losses) .....	\$89	(\$78)	\$1	\$184
Operating lease rental income .....	\$345	\$330	\$685	\$639
Gains on fixed assets and OREO .....	\$72	\$45	\$117	\$91
Net gain from mortgage banking activities .....	\$13,416	\$94	\$24,263	\$164
Loan servicing and other fees .....	\$1,801	\$89	\$2,836	\$180
Bank-owned life insurance .....	\$13	\$92	\$26	\$157
Other .....	\$545	\$476	\$1,051	\$943
Non-interest income .....	<b>\$17,988</b>	<b>\$2,771</b>	<b>\$32,236</b>	<b>\$5,629</b>
Salaries and employee benefits .....	\$15,605	\$4,201	\$27,769	\$8,998
Occupancy, equipment, and data processing .....	\$2,893	\$1,470	\$5,669	\$2,908
Depreciation expense on operating leases .....	\$290	\$271	\$570	\$526
FDIC deposit insurance .....	\$1,062	\$118	\$1,475	\$212
Bank shares tax .....	\$232	\$193	\$467	\$386
Professional services .....	\$1,677	\$495	\$2,923	\$919
Marketing .....	\$566	\$335	\$824	\$533
Other .....	\$2,002	\$922	\$3,764	\$1,971
Non-interest expense .....	<b>\$24,327</b>	<b>\$8,005</b>	<b>\$43,461</b>	<b>\$16,453</b>
Income before income taxes .....	\$3,812	\$2,466	\$7,665	\$4,543
Income Taxes .....	\$932	\$624	\$1,995	\$1,181
Net Income including non-controlling interests .....	<b>\$2,880</b>	<b>\$1,842</b>	<b>\$5,670</b>	<b>\$3,362</b>
Less: Net income attributable to non-controlling interests .....	<b>\$633</b>	<b>—</b>	<b>\$870</b>	<b>—</b>
Net income attributable to First Chester County Corporation .....	<b>\$2,247</b>	<b>\$1,842</b>	<b>\$4,800</b>	<b>\$3,362</b>