

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20429

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended: **March 31, 2010**

FDIC certificate number: **34929**

First Bank of Delaware

(Exact name of business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

51-0389698

IRS Employer Identification
Number

Brandywine Commons II, Rocky Run Parkway, Wilmington, DE 19803

(Address of principal executive offices)

(Zip code)

302-529-5984

(Issuer's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports)

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

11,418,901 shares of Issuer's Common Stock, par value
\$0.05 per share, issued and outstanding as of May 13, 2010

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PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

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First Bank of Delaware
Consolidated Balance Sheets
as of March 31, 2010 and December 31, 2009
(Dollars in thousands, except share and per share data)

ASSETS:	<u>March 31, 2010</u>	<u>December 31, 2009</u>
	(unaudited)	
Cash and due from banks	\$ 2,019	\$ 2,886
Interest bearing deposits with banks	38,736	24,015
Federal funds sold	7,117	9,838
Total cash and cash equivalents	<u>47,872</u>	<u>36,739</u>
Investment securities available for sale	10,903	7,604
Restricted stock, at cost	475	475
Loans receivable (net of allowance for loan losses of \$3,592 and \$3,512, respectively)	98,264	82,564
Premises and equipment, net	2,899	2,977
Other real estate owned	1,024	1,049
Accrued interest receivable	416	315
Bank owned life insurance	1,863	1,855
Other assets	7,091	6,782
Total Assets	<u>\$ 170,807</u>	<u>\$ 140,360</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Demand – non-interest-bearing	\$ 38,530	\$ 24,299
Demand – interest-bearing	2,636	717
Money market and savings	50,118	37,677
Time under \$100,000	14,248	13,255
Time \$100,000 or more	20,464	18,766
Total Deposits	<u>125,996</u>	<u>94,714</u>
Accrued interest payable	257	191
Accrued expenses	2,020	2,280
Other liabilities	707	1,728
Total Liabilities	<u>128,980</u>	<u>98,913</u>
Shareholders' Equity:		
Respective amounts as of March 31, 2010 and December 31, 2009:		
Common stock par value: \$0.05;		
Shares authorized: 15,000,000;		
Shares issued and outstanding: 11,418,901	571	571
Additional paid in capital	13,479	13,456
Retained earnings	27,496	27,157
Accumulated other comprehensive income	281	263
Total Shareholders' Equity	<u>41,827</u>	<u>41,447</u>
Total Liabilities and Shareholders' Equity	<u>\$ 170,807</u>	<u>\$ 140,360</u>

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Income
For the Three Months Ended March 31, 2010 and 2009
(Dollars in thousands, except per share data)
(unaudited)

	<u>Three months ended</u>	
	<u>March 31,</u>	
	2010	2009
Interest income:		
Interest and fees on loans	\$3,340	\$2,130
Interest and dividend income on federal funds sold and other interest-earning balances	22	7
Interest and dividends on investment securities	135	217
Total interest income	<u>3,497</u>	<u>2,354</u>
Interest expense:		
Demand interest-bearing	3	1
Money market and savings	144	67
Time less than \$100,000	88	101
Time \$100,000 or more	61	6
Other borrowed funds	-	2
Total interest expense	<u>296</u>	<u>177</u>
Net interest income	3,201	2,177
Provision for loan losses	825	725
Net interest income after provision for loan losses	<u>2,376</u>	<u>1,452</u>
Non-interest income:		
Loan advisory and servicing fees	10	5
Service fees on deposit accounts	26	36
Cash management income	289	55
Consumer loan fee income	784	470
Bank owned life insurance	8	11
Credit and prepaid card products	130	2,157
Other income	111	13
Total non-interest income	<u>1,358</u>	<u>2,747</u>
Non-interest expenses:		
Salaries and benefits	1,878	2,141
Occupancy	178	171
Depreciation	116	110
Legal	111	66
Professional expenses	118	231
Data processing and operational expenses	144	145
Credit card program processing expenses	16	123
Federal Deposit Insurance Corporation insurance expense	52	22
Delaware franchise tax	27	36
Other expenses	574	454
	<u>3,214</u>	<u>3,499</u>
Income before provision for income taxes	520	700
Provision for income taxes	181	236
Net income	<u>\$339</u>	<u>\$464</u>
Net income per share:		
Basic	<u>\$0.03</u>	<u>\$0.04</u>

(See notes to unaudited consolidated financial statements)

FIRST BANK OF DELAWARE
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31, 2010 and 2009
(Dollars in thousands)
(Unaudited)

	Comprehensive Income	Common Stock	Additional Paid in Capital	Retained Earnings	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance January 1, 2010.....		\$ 571	\$ 13,456	\$ 27,157	\$ -	\$ 263	\$ 41,447
Stock based compensation		-	23	-	-	-	23
Total other comprehensive income, net of taxes of \$9.....	\$ 18	-	-	-	-	18	18
Net income	339	-	-	339	-	-	339
Total comprehensive income	<u>\$ 357</u>						
Balance March 31, 2010		<u>\$ 571</u>	<u>\$ 13,479</u>	<u>\$ 27,496</u>	<u>\$ -</u>	<u>\$ 281</u>	<u>\$ 41,827</u>

	Comprehensive Income	Common Stock	Additional Paid in Capital	Retained Earnings	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance January 1, 2009.....		\$ 570	\$ 13,371	\$ 25,659	\$ (384)	\$ 277	\$ 39,493
Stock based compensation		-	24	-	-	-	24
Deferred compensation stock distributions		-	-	-	384	-	384
Total other comprehensive income, net of taxes of \$3.....	\$ 9	-	-	-	-	9	9
Net income	464	-	-	464	-	-	464
Total comprehensive income	<u>\$ 473</u>						
Balance March 31, 2009		<u>\$ 570</u>	<u>\$ 13,395</u>	<u>\$ 26,123</u>	<u>\$ -</u>	<u>\$ 286</u>	<u>\$ 40,374</u>

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2010 and 2009
(Dollars in thousands)
(unaudited)

	Three months ended	
	March 31,	
	2010	2009
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Net income	\$ 339	\$ 464
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	825	725
Stock compensation expense	23	24
Deferred compensation stock distribution	-	384
Depreciation and amortization	116	110
Amortization of premiums on investment securities	8	2
Write down of other real estate owned	25	-
Increase in value of bank owned life insurance	(8)	(11)
(Increase) decrease in accrued interest receivable and other assets	(419)	1,653
Decrease in accrued interest payable, accrued expenses and other liabilities	(1,215)	(513)
Net cash provided by (used in) operating activities	<u>(306)</u>	<u>2,838</u>
Cash flows from investing activities:		
Purchase of securities:		
FHLB Stock purchase	-	(336)
Available for sale	(4,035)	-
Principal collected on securities available for sale	755	265
Net increase in loans	(16,525)	(1,102)
Premises and equipment expenditures	(38)	(55)
Net cash used in investing activities	<u>(19,843)</u>	<u>(1,228)</u>
Cash flows from financing activities:		
Net increase (decrease) in demand, money market and savings deposits	28,591	(3,048)
Net increase (decrease) in time deposits	2,691	(81)
Net cash provided by (used in) financing activities	<u>31,282</u>	<u>(3,129)</u>
Increase (decrease) in cash and cash equivalents	11,133	(1,519)
Cash and cash equivalents, beginning of period	36,739	9,553
Cash and cash equivalents, end of period	<u>\$ 47,872</u>	<u>\$ 8,034</u>
Supplemental disclosure:		
Interest paid	\$ 230	\$ 97
Taxes paid	<u>\$ 300</u>	<u>\$ 200</u>
Non-monetary transfers into other real estate owned	<u>\$ -</u>	<u>\$ 834</u>

(See notes to unaudited consolidated financial statements)

FIRST BANK OF DELAWARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Organization

First Bank of Delaware

First Bank of Delaware, referred to as “we,” “FBD,” the “Bank” or the “Company,” is a commercial bank chartered pursuant to the laws of the State of Delaware. We operate a traditional community banking business, as well as a consumer products division from which we derive a majority of our revenue, which is the sum of interest income and non-interest income. We presently conduct our principal community banking activities through our two offices in Wilmington, Delaware. We offer a variety of credit and depository banking services. Our commercial loan services are primarily offered to individuals and businesses in the Delaware and contiguous counties area through two offices in New Castle County, Delaware. FBD also offers electronic payment services, including merchant acquiring services, automated clearinghouse (“ACH”) transaction processing, remotely created check (“RCC”) processing, and remote deposit capture services to businesses, merchants and independent sales organizations. These electronic payment services generate deposits and fee income. FBD also supports the Money Service Business (“MSB”) industry, by providing services to check cashers, money transmitters and bill paying services. We are able to provide these types of companies with vault, check processing, remote capture and wire services.

Our consumer products division is comprised of two business segments, consumer loans and card products. We make consumer installment loans nationally via the internet and telephone. Credit and prepaid card products and credit lines are similarly offered nationally. From the time we introduced our consumer products until 2008, we primarily relied on third parties to market and service these loans and cards. As a result of a consent order which we entered into with the Federal Deposit Insurance Corporation (“FDIC”) in October 2008, we have reduced our reliance on third parties and made significant changes in our consumer products division. We have terminated the third party relationships through which such loans and cards were marketed and serviced, and now offer these products directly with assistance from professional marketers and service providers.

We offer a variety of products on national basis to the unbanked and under-banked segment of the population. These products include consumer loan products, credit cards, credit lines and prepaid cards. The FDIC and others have defined unbanked households as not having checking or savings account, and under-banked households as those that rely on alternative financial services specifically using non-bank money orders, non-bank check-cashing services, payday loans, rent-to-own agreements, or pawn shops at least once or twice a year or refund anticipation loans at least once in the past five years. These consumers typically have weakened credit histories that include payment delinquencies, and possibly more severe problems such as charge-offs, judgments, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories.

Most of the credit card receivables, credit line receivables and installment loans that we generate are sold or participated on a non-recourse basis and the purchasers bear the risk of loss for any default on the receivables. Our results of operation can be significantly affected by the ability of our third party purchasers to obtain financing to purchase loan receivables. Macroeconomic issues related to subprime markets could exacerbate related funding availability and costs. To the extent that these purchasers cannot obtain financing, or financing is limited, we may have to reduce or cease originations.

Short term consumer loans are offered by FBD. At March 31, 2010, there were approximately \$4.0 million in consumer installment loans on the balance sheet, originated via telephone and internet, but most loans are sold or participated to third parties. The participations sold at March 31, 2010 were \$34.8 million. We evaluated these sales and determined that they qualify as sales under ASC 860.10. These loans generally have principal amounts of \$2,500 or less with a term of up to 24 months and have anywhere between 4 and 48 scheduled repayments. These loans are offered via the internet and telephone. Customers must have an active checking account, valid identification and a regular source of income. Many of these loans are made to customers with subprime credit characteristics, but these customers still must meet our credit underwriting criteria which may include minimum FICO credit scores, scores from other non-traditional credit reporting agencies and debt to income thresholds. If approved, FBD then assigns a maximum amount for the loan. FBD believes that this conservative qualification approach ensures that even consumers who borrow the lowest possible amount are not borrowing beyond their means. There are no late fees, deferral fees, extension fees, or rollover fees charged. In addition, there are no minimum finance charges or prepayment penalties associated with the product, and consumers are provided with a two-day rescission period during which they may cancel the loan without cost. Notably, refinances and roll-overs are not available on this product. Upon approval, a customer is then provided a loan agreement, which he or she signs, and the funds are then electronically deposited into the customer's checking account. Principal and interest payments are due at least monthly. Customers may repay their loans via ACH transactions from their bank account, via electronic check or by money order. These loans carry an annual interest rate of approximately 87% to 334%.

FBD is an issuing bank for certain credit card programs. At March 31, 2010, we had no credit card receivables on our balance sheet because those receivables had been sold in the fourth quarter 2009 and none were generated during the first quarter. As a result of discussions with the FDIC, most third party relationships involved in generating credit cards have been terminated, which materially has reduced and will continue to reduce revenues. FBD plans to directly offer a secured credit card, private label credit cards and a prime credit card in 2010.

FBD offers its own prepaid cards primarily to the unbanked and under-banked consumer on a national basis. These cards are sold via the internet and through certain retailers. Customers may load their own funds onto the cards via the internet, merchants, or by direct deposit from their employer. Upon loading, customers may access their funds through ATMs or point of sale locations. The Bank earns revenues on these cards through interchange, monthly fees and float on the card deposits.

FBD also issues open-end lines of credit to the unbanked and under-banked consumer. The credit line program provides customers with cash advance funds placed onto their prepaid cards or demand deposit account. The program provides a credit line of up to an approved amount which is usually less than \$600 and includes a 12 percent transaction fee on the amount of the advance taken. The approved credit line is based on a borrower's deposit history and other credit factors. To access the credit line, the customer must move funds into his or her related deposit account telephonically or via the internet prior to the customer having access to the advance proceeds. This distinguishes the product from overdraft products where customers may unknowingly overdraw their account and be charged fees. FBD originates these credit line receivables and sells or participates the majority of such receivables into the secondary market. We earn a percentage of the transaction fees collected from customers. At March 31, 2010 FBD had no credit line receivables and no credit line balances on its books.

FBD encounters vigorous competition for market share from bank holding companies, national and regional banks and other community banks, thrift institutions and other non-bank financial organizations, such as mutual fund companies, insurance companies and brokerage companies.

FBD is subject to regulations of certain state and federal agencies. These regulatory agencies periodically examine FBD for adherence to laws and regulations. This regulatory framework contributes to our cost of doing

business, and any changes in applicable laws or regulations, or the results of any examination could result in additional cost or otherwise adversely affect our operations.

Note 2: Summary of Significant Accounting Policies:

Basis of Presentation:

The Company follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets generally accepted accounting principles (“GAAP”) that are followed to ensure consistent reporting of financial condition, results of operations, and cash flows. Over time, the FASB and other GAAP-setting bodies have issued standards in the form of FASB Statements, Interpretations, Staff Positions, EITF Abstracts, AICPA Statements of Position, and Practice Bulletins. The FASB recognized the complexity of its standard setting process and embarked on a revised process in 2004 that culminated in the release of the FASB Accounting Standards Codification (“ASC”) on July 1, 2009. The ASC does not change how the Company accounts for its transactions or the nature of related disclosures made, nor does it impact the Company’s financial position or results of operations. It simply took thousands of individual pronouncements that comprise GAAP and reorganized them under accounting topics using a consistent structure. References to GAAP in this Quarterly Report on Form 10-Q have been updated to refer to topics in the ASC. This change was made effective by the FASB for periods ending on or after September 15, 2009.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

Significant Estimates:

Our earnings include significant amounts of consumer loan and credit card product fee income, as well as net interest income, which is the difference between interest earned on its interest-earning assets, such as loans and investments, and the interest paid on its interest-bearing liabilities, such as deposits and borrowings. Accordingly, our results of operations are subject to risks and uncertainties surrounding our exposure to changes in the interest rate environment. For example prepayments on fixed rate loans and mortgage-backed securities vary significantly and may cause significant fluctuations in our net interest margin. Our results of operations will be significantly affected by the ability of borrowers to repay their loans and many consumer borrowers, including consumer installment loan customers and credit card customers, are considered to be high credit risks. Further, litigation in connection with such consumer loans and card products, if successful, and if not reimbursed by loan servicers and card marketers obligated to indemnify FBD, could have an adverse impact on earnings and financial condition.

Our consumer loans generally have principal amounts of \$2,500 or less with terms of up to 24 months. Legislation eliminating or limiting interest rates upon such loans and upon credit cards has from time to time been proposed.

We generate substantial fee income after we sell or participate loans and credit card balances at par to various purchasers, based on the amounts of such balances or on the number of accounts outstanding. Should

purchasers be unable to acquire funding, sales might be curtailed or eliminated with a material reduction in income.

A third party of FBD had an account compromise event in 2009. As a member of Visa and Mastercard, FBD was responsible for amounts relating to this event. We have received the actual loss amount from VISA and MasterCard for the actual fraud losses and other costs. This amount totals \$1.5 million. FBD has paid this amount. FBD has taken a charge of \$350,000 for its share of potential losses. We are seeking reimbursement of the remaining amount from third parties and insurance. If these reimbursements do not occur, FBD may have to take a charge for the remaining amount totaling \$1.1 million.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates are made by management in determining the allowance for loan losses, carrying values of other real estate owned, other than temporary impairment of investment securities and restricted stock and the realization of deferred tax assets. Consideration is given to a variety of factors in establishing these estimates.

In estimating the allowance for loan losses, management considers current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews, borrowers' perceived financial and managerial strengths, the adequacy of underlying collateral, if collateral dependent, or present value of future cash flows and other relevant factors. Since these estimates are dependent, to a great extent, on the general economy and other conditions that may be beyond FBD's control, it is at least reasonably possible that the estimates could differ materially in the near term.

In estimating other than temporary impairment of investment securities, securities are evaluated on at least a quarterly basis, and more frequently when market conditions warrant such an evaluation, to determine whether a decline in their value is other-than-temporary. To determine whether a loss in value is other-than-temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline and that FBD doesn't intend to sell and not be required to sell its investment in the security for a period of time sufficient to allow for an anticipated recovery in the fair value. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

In evaluating our ability to recover deferred tax assets, management considers all available positive and negative evidence, including our past operating results and our forecast of future taxable income. In determining future taxable income, management makes assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

In estimating the value of other real estate owned, management considers the information available to determine net realizable value. However, the actual net realizable value is not known until the disposition of the property.

We are subject to federal and state regulations governing virtually all aspects of our activities, including, but not limited to, lines of business, liquidity, investments, the payment of dividends and others. Such regulations and the cost of adherence to such regulations can have a significant impact on earnings and financial conditions.

Recent legislation, including the Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009, and proposals for new legislation, including bills passed by the U.S. House of Representatives and being considered by the U.S. Senate, which propose the creation of a “Consumer Financial Protection Bureau”, could significantly alter the regulatory framework on which we operate, and reduce the profitability of products we currently offer or which we plan to offer.

Restricted Stock

Restricted stock, which represents required investment in the common stock of correspondent banks, is carried at cost and as of March 31, 2010 and December 31, 2009, consists of the common stock of the FHLB of Pittsburgh and Atlantic Central Bankers Bank. In December 2008, the FHLB of Pittsburgh notified member banks that it was suspending dividend payments and the repurchase of capital stock.

Management’s determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB.

Management believes no impairment charge is necessary related to the restricted stock as of March 31, 2010.

Stock Based Compensation:

We maintain a Stock Option Plan and Restricted Stock Plan(the “Plan”) under which the Company may grant options, restricted stock or stock appreciation rights to the Company’s employees directors and certain consultants. As of March 31, 2010, 1,540,000 shares of common stock had been available for issuance or transfer under the Plan. On May 10, 2010, the shareholders of the Company approved an amendment to the Plan which increased the number of shares of common stock of the Bank that may be issued or transferred under the Plan to 1,800,000 shares, and extended the term of the Plan to December 31, 2019. The Plan provides that the exercise price of each option granted equals the market price of the Company’s stock on the date of grant. Any options granted vest within one to five years and have a maximum term of 10 years.

A summary of the activity related to the Company’s stock options granted under the Plan during the three months ended March 31, 2010 and 2009 is presented below:

	For the Three Months Ended March 31,			
	2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	957,422	\$ 2.40	905,251	\$ 2.54
Granted	43,000	1.28	108,000	1.33
Exercised	-	-	-	-
Forfeited	15,000	1.92	32,422	2.88
Outstanding, end of period	<u>985,422</u>	<u>2.36</u>	<u>980,829</u>	<u>2.39</u>
Options exercisable at period-end	<u>553,422</u>	<u>2.61</u>	<u>601,829</u>	<u>2.54</u>
Weighted average fair value of options granted during the period		<u>\$ 0.66</u>		<u>\$ 0.66</u>

	For the Three Months Ended March 31,	
	2010	2009
Number of options exercised	-	-
Cash received	\$ -	\$ -
Intrinsic value	-	-
Tax benefit	-	-

The following table summarizes information about options outstanding under the Plan as of March 31, 2010.

Range of Exercise Prices	Options outstanding			Options exercisable	
	Shares	Weighted Average remaining contractual life (years)	Weighted Average exercise price	Shares	Weighted Average Exercise Price
\$1.01 to \$1.50	169,850	7.4	1.30	3,850	1.20
\$1.51 to \$1.99	102,200	8.5	1.65	2,200	1.63
\$2.00 to \$2.69	216,472	4.5	2.50	216,472	2.50
\$2.70 to \$3.10	496,900	5.7	2.80	330,900	2.71
	<u>985,422</u>		<u>\$ 2.36</u>	<u>553,422</u>	<u>\$ 2.61</u>

During the three months ended March 31, 2010, \$23,000 was recognized in compensation expense for the Plan, compared to \$24,000 in compensation expense for the three months ended March 31, 2009. The fair value of each option granted in 2010 is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for those grants: dividend yield of 0%; expected volatility of 45.52%; risk-free interest rate of 3.20% to 3.36% and an expected life of 7.0 years. At March 31, 2010, there were 432,000 unvested options with a fair value of \$362,000 with \$163,000 of that amount remaining to be recognized as expense. At that date, the intrinsic value (the excess of the market price over the exercise price) of the 985,422 options outstanding was \$42,463, while the intrinsic value of the 553,422 exercisable (vested) options was \$1,348. During the first quarter 15,000 options were forfeited with a weighted average grant value of \$28,800.

Note 3: Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This ASU requires some new disclosures and clarifies existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB’s objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 amends Codification Subtopic 820-10 to now require:

A reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and

In the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements.

In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures:

For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and

A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. We have adopted this guidance during the quarter ended March 31, 2010 and it did not have a material effect on our financial position or results of operations.

In March 2010, the FASB issued ASU 2010-11, *Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*. The FASB believes this ASU clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, only one form of embedded credit derivative qualifies for the exemption - one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature.

The amendments in ASU 2010-11 are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each entity’s first fiscal quarter beginning after March 5, 2010. We do not expect the adoption of this guidance to have a material effect on our financial position or results of operations.

In June 2009, the Financial Accounting Standards Board (“FASB”) issued an update to Accounting Standard Codification 105-10, “Generally Accepted Accounting Principles”. This standard establishes the FASB Accounting Standard Codification (“Codification” or “ASC”) as the source of authoritative U.S. GAAP recognized by the FASB for nongovernmental entities. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is a reorganization of existing U.S. GAAP and does not change existing U.S. GAAP. We adopted this standard during the third quarter of 2009. The adoption had no impact on our financial position, results of operations, and earnings per share.

In August 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-5, “Measuring Liabilities at Fair Value”, which updates ASC 821-10, “Fair Value Measurements and Disclosures”. The updated guidance clarifies that the fair value of a liability can be measured in relation to the quoted price of the liability when it

trades as an asset in an active market, without adjusting the price for restrictions that prevent the sale of the liability. This guidance was effective beginning October 1, 2009. The adoption had no impact on our financial position, results of operations, and earnings per share.

Note 4: Legal Proceedings

From time to time we may be party to lawsuits that occur in the ordinary course of business. While any litigation involves an element of uncertainty, our management is of the opinion that our liability, if any, resulting from any of these pending actions will not have a material effect on our financial condition or results of operations. However, should we be successfully sued, our results of operations and financial condition could be adversely affected. Also See Part II ITEM 1: Legal Proceedings

Note 5: Segment Reporting

Our reportable segments represent strategic businesses that offer different products and services. The segments are managed separately because each segment has unique operating characteristics, management requirements and marketing strategies. We have three reportable segments: community banking; consumer loans; and card products. The community banking segment is primarily comprised of the results of operations and financial condition of commercial loan, electronic payments products and deposit operations. We additionally offer consumer products to the underbanked consumer including consumer installment loans, prepaid cards, credit lines and credit cards. Consumer loans are loans with principal amounts of \$2,500 or less and terms of 120 days to 24 months. These loans typically are made in states outside of Delaware via the internet through a small number of marketers with rates and fees significantly different from other loan products offered. We perform underwriting, customer service and collection functions ourselves, or through directly contracted third parties. We also offer card products, which consist of prepaid and credit cards, on a national basis through a small number of marketers. FBD also offers credit lines on various prepaid and deposit accounts. The majority of these installment loans, credit line receivables and credit card receivables are sold or participated. As a result of discussions with the FDIC, third party relationships involved in generating these loans and credit cards have been terminated, which materially has reduced and continues to reduce revenues. FBD plans to directly offer various credit card products in 2010 including secured cards and prime credit cards.

We evaluate the performance of the community banking segment primarily based upon net income, return on equity and return on average assets. We evaluate our consumer loans and card products segments primarily based upon net income.

Segment information at and for the three months ended March 31, 2010 and 2009, is as follows:

March 31, 2010

(dollars in thousands)

As of and for the three months ended

	Community Banking	Card Products	Consumer loans	Total
Net interest income	\$ 1,061	\$ -	\$ 2,140	\$ 3,201
Provision for loan losses	250	-	575	825
Non-interest income	443	131	784	1,358
Non-interest expenses	1,274	735	1,205	3,214
Provision (benefit) for income tax	(7)	(210)	398	181
Net income	<u>\$ (13)</u>	<u>\$ (394)</u>	<u>\$ 746</u>	<u>\$ 339</u>

Selected Balance Sheet Accounts:

Total assets	\$ 145,840	\$ 8,682	\$ 16,285	\$ 170,807
Total loans, net	95,914	-	2,350	98,264
Total deposits	107,345	5,888	12,763	125,996

March 31, 2009

(dollars in thousands)

	Community Banking	Card Products	Consumer loans	Total
Net interest income	\$ 964	\$ 29	\$ 1,184	\$ 2,177
Provision for loan losses	125	175	425	725
Non-interest income	120	2,157	470	2,747
Non-interest expenses	876	1,358	1,265	3,499
Provision (benefit) for income tax	29	219	(12)	236
Net income	<u>\$ 54</u>	<u>\$ 434</u>	<u>\$ (24)</u>	<u>\$ 464</u>

Selected Balance Sheet Accounts:**December 31, 2009**

Total assets	\$ 126,437	\$ 3,938	\$ 9,985	\$ 140,360
Total loans, net	79,434	-	3,130	82,564
Total deposits	84,469	3,573	6,672	94,714

Note 6: Earnings Per Share:

Earnings per share (“EPS”) consists of two separate components: basic EPS and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for each period presented. Diluted EPS is calculated by dividing net income by the weighted average number of common shares outstanding plus dilutive common stock equivalents (“CSEs”). CSEs consist of dilutive stock options granted through FBD’s Stock Option Plan and Restricted Stock Plan. The following table is a reconciliation of the numerator and denominator used in calculating basic and diluted EPS. CSEs which are anti-dilutive are not included in the following calculation. At March 31, 2010, and 2009, respectively, there were 815,600 and 963,200 options that were not included in the calculation of EPS because the option exercise price was greater than the average market price for the period.

The following table is a comparison of EPS for the three months ended March 31, 2010, and 2009.

	Three months ended March 31,			
	<u>2010</u>	<u>2009</u>		
Net Income	\$339,000	\$464,000		
	<u>Shares</u>	<u>Per Share</u>	<u>Shares</u>	<u>Per Share</u>
Weighted average shares o/s for the period ended	11,418,901		11,401,301	
Basic EPS		\$0.03		\$0.04
Add common stock equivalents representing dilutive stock options	<u>13,935</u>		<u>6,374</u>	
Effect on basic EPS of dilutive CSE		<u>\$ -</u>		<u>\$ -</u>
Equals total weighted average Shares o/s and CSE (diluted)	<u>11,432,836</u>		<u>11,407,675</u>	
Diluted EPS		<u>\$0.03</u>		<u>\$0.04</u>

Note 7: Comprehensive Income:

The following table displays net income and the components of other comprehensive income to arrive at total comprehensive income. The only component of other comprehensive income is that related to the unrealized gains (losses) on available for sale investment securities.

(dollar amounts in thousands):

	Three months ended	
	March 31,	
	<u>2010</u>	<u>2009</u>
Net income	\$ 339	\$ 464
Other comprehensive loss, net of tax:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) during the period	27	12
Tax effect on unrealized holding (gains) and losses	<u>(9)</u>	<u>(3)</u>
Comprehensive income	<u>\$ 357</u>	<u>\$ 473</u>

Note 8: Fair Value of Financial Instruments:

Management uses its best judgment in estimating the fair value of our financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

ASC 820-10, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Basis of Fair Value Measurement:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Bank's cash instruments are generally classified within level 1 or level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of transparency for securities which the Bank owns may include investment-grade bonds and mortgage products. Such instruments are generally classified within level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, with valuations adjusted to reflect illiquidity and/or non-transferability, based on available market evidence. In the absence of such evidence, management's best estimate is used. Subsequent to inception, management only changes level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows. The Bank does not have any such securities at present.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2010 and December 31, 2009 are as follows:

Description	March 31, 2010	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
(In Thousands)				
FNMA structured notes available for sale	\$ 4,062	\$ -	\$ 4,062	\$ -
Government mortgage backed securities available for sale	<u>\$ 6,841</u>	<u>\$ -</u>	<u>\$ 6,841</u>	<u>\$ -</u>

Description	December 31, 2009	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
(In Thousands)				
Government mortgage backed securities available for sale	<u>\$ 7,604</u>	<u>\$ -</u>	<u>\$ 7,604</u>	<u>\$ -</u>

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2010 and December 31, 2009 are as follows:

Description	March 31, 2010	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
(In Thousands)				
Impaired loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other real estate owned	<u>\$ 1,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024</u>

Description	December 31, 2009	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
(In Thousands)				
Impaired loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other real estate owned	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,049</u>

Currently, FBD does not have any impaired loans that require a reserve under ASC 310.

Other real estate owned consists of assets acquired through, or in lieu of, loan foreclosure. They are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis.

Cash and Cash Equivalents (Carried at Cost):

The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets' fair values.

Investment Securities:

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) is determined by matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments. The types of instruments valued based on quoted market prices in active markets include all of the Company's U.S. government and agency securities, municipal obligations and corporate bonds and trust preferred securities. Such instruments are generally classified within level 1 or level 2 of the fair value hierarchy. As required by ASC 820-10, the Bank does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of transparency for securities which the bank owns may include investment- grade corporate bonds, municipal obligations, and trust preferred securities. Such instruments are generally classified within level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, and may be adjusted to reflect illiquidity and/or non-transferability, with such adjustment generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Subsequent to inception, management only changes level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows. The bank has never owned any Level 3 securities.

Loans Receivable (Carried at Cost):

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Other Real Estate Owned (Generally Carried at Fair Value):

These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Restricted Stock (Carried at Cost):

The carrying amount of restricted stock approximates fair value, and considers the limited marketability of such securities.

Accrued Interest Receivable and Payable (Carried at Cost):

The carrying amount of accrued interest receivable and accrued interest payable approximates its fair value.

Bank Owned Life Insurance:

The fair value of bank owned life insurance is based on the estimated realizable market value of the underlying investments and insurance reserves.

Deposit Liabilities (Carried at Cost):

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Off-Balance Sheet Financial Instruments (Disclosed at Cost):

Fair values for the Company's off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged in the market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties' credit standing.

The estimated fair values of the Company's financial instruments were as follows at March 31, 2010 and December 31, 2009.

<i>(Dollars in Thousands)</i>	<u>March 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Balance Sheet Data:				
Financial Assets:				
Cash and cash equivalents	\$ 47,872	\$ 47,872	\$ 36,739	\$ 36,739
Investment securities available for sale	10,903	10,903	7,604	7,604
Restricted stock	475	475	475	475
Loans receivable, net	98,264	100,166	82,564	83,938
Bank owned life insurance	1,863	1,863	1,855	1,855
Accrued interest receivable	416	416	315	315
Financial Liabilities:				
Deposits:				
Demand, savings and money market	\$ 91,284	\$ 91,284	\$ 62,693	\$ 62,693
Time	34,712	34,830	32,021	32,172
Accrued interest payable	257	257	191	191
Off Balance Sheet Financial Instruments:				
Commitments to extend credit	\$ -	\$ -	\$ -	\$ -
Letters of credit	-	-	-	-

Note 9: Investment Securities:

Investment securities available for sale as of March 31, 2010 are as follows:

<i>(Dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FNMA Structured Agencies	\$ 4,025	\$ 37	\$ -	\$ 4,062
Governmental Mortgage Backed Securities	6,452	389	-	6,841
Total	<u>\$ 10,477</u>	<u>\$ 426</u>	<u>\$ -</u>	<u>\$ 10,903</u>

Investment securities available for sale as of December 31, 2009 are as follows:

<i>(Dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental Mortgage Backed Securities	\$ 7,205	\$ 399	\$ -	\$ 7,604
Total	<u>\$ 7,205</u>	<u>\$ 399</u>	<u>\$ -</u>	<u>\$ 7,604</u>

The maturity distribution of the amortized cost and estimated fair value of investment securities by contractual maturity at March 31, 2010, is as follows:

<i>(Dollars in thousands)</i>	Available for Sale	
	Amortized Cost	Estimated Fair Value
After 15 Years.....	<u>\$ 10,477</u>	<u>\$ 10,903</u>
Total	<u>\$ 10,477</u>	<u>\$ 10,903</u>

Expected maturities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without prepayment penalties.

FBD did not sell any securities during 2010 or 2009.

There were no pledged securities as of March 31, 2010 and December 31, 2009.

Note 10: Subsequent Events:

Subsequent events were reviewed through May 13, 2010.

ITEM 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management’s discussion and analysis of significant changes in FBD’s results of operations, financial condition and capital resources presented in the accompanying consolidated financial statements. This discussion should be read in conjunction with the accompanying notes to the consolidated financial statements.

Certain statements in this document may be considered to be “forward-looking statements” as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995, such as statements that include the words “may,” “believes,” “expect,” “estimate,” “project,” “anticipate,” “should,” “intend,” “probability,” “risk,” “target,” “objective” and similar expressions or variations on such expressions. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. For example, risks and uncertainties include: our exposure to interest rate risk, credit risk associated with our lending activities, the adequacy of our allowance for loan losses, general economic conditions, including their impact on capital expenditures; our ability to successfully introduce new, directly offered products, new service and product offerings by competitors and price pressures; regulation and litigation related to consumer financial products and banking; and similar items. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date hereof. FBD undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents FBD files from time to time with the FDIC, including FBD’s Annual Report on Form 10-K for the year ended December 31, 2009.

Banking Products and Services

We offer a range of commercial and other banking services, including secured and unsecured commercial real estate loans, construction and land development and other commercial loans. We also offer both commercial and consumer deposit accounts, including checking accounts, interest-bearing demand accounts, money market accounts, certificates of deposit, savings accounts, sweep accounts, remote deposit services, lockbox services and individual retirement accounts (and other traditional banking services). Our commercial loans typically range between \$250,000 and \$3.0 million but customers may borrow significantly larger amounts up to our secured legal lending limit to one borrower of approximately \$11.3 million. Also, individual customers may have several loans often secured by different collateral, which are in total subject to that lending limit.

Our lending activities generally are focused on small and medium-sized businesses within the professional community. Commercial and construction loans are the most significant category of our outstanding loans, representing 95.0% of total loans outstanding at March 31, 2010. Repayment of these loans is, in part, dependent on general economic conditions affecting the Delaware and southeastern Pennsylvania community and the businesses within that community. Although our management follows established underwriting policies and monitors loans, credit risk is inherent in our lending activities.

Although the majority of our loan portfolio is secured by real estate or other collateral, a portion of the commercial portfolio is unsecured, representing loans made to borrowers considered to be of sufficient financial strength to merit unsecured financing. We make both fixed and variable rate loans with fixed terms ranging generally from one to five years. Variable rate loans are generally tied to the national prime rate of interest. We also offer residential mortgages, home equity loans, consumer installment loans, and other consumer loans.

FBD supports the Money Service Business (“MSB”) industry by providing services to check cashers, money transmitters and bill paying service providers. We are able to provide these types of companies with vault, check processing, remote capture and wire services. FBD also offers electronic payment services, including merchant acquiring services, ACH transaction processing, RCC transaction processing, and remote deposit capture to businesses, merchants and independent sales organizations.

Consumer Products

We offer a variety of products on a national basis to the unbanked and under-banked segment of the population. These products include consumer loan products, credit cards, credit lines and prepaid cards. The FDIC and others have defined “unbanked” households as not having checking or savings account, and “under-banked” households as those that rely on alternative financial services specifically using non-bank money orders, non-bank check-cashing services, payday loans, rent-to-own agreements, or pawn shops at least once or twice a year or refund anticipation loans at least once in the past five years. These consumers typically have weakened credit histories that include payment delinquencies, and possibly more severe problems such as charge-offs, judgments, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria associated with borrowers with incomplete credit histories.

The credit card receivables, credit line receivables and installment loans are typically sold or participated on a non-recourse basis and the purchasers bear the risk of loss for any default on the receivables. Our results of operation can be significantly affected by the ability of our third party purchasers to obtain financing to purchase loan receivables. Macroeconomic issues related to subprime markets could exacerbate related funding availability and costs. To the extent that these purchasers cannot obtain financing, or financing is limited, we may have to reduce or cease originations.

Card Products

Prepaid Cards

Through our membership with MasterCard International, we have become an issuing bank for prepaid cards. In the third quarter of 2005, we began offering prepaid cards primarily to the unbanked and under-banked customer on a national basis. Prepaid cards are cards that store information electronically on a magnetic stripe or computer chip and can be used to purchase goods or services. Funds are loaded onto cards which can be used in a manner similar to some debit/ATM cards and are similar to a MasterCard® or Visa® card. Prepaid cards are a substitute for cash, gift certificates and check payments. Cards can be either personalized with a customer name, non-personalized, reloadable or non-reloadable. Cards are issued through the internet, corporations or directly to the consumer. We contract with a processor to provide front-end software platform functionality, cardholder support and card fulfillment. The bank earns revenues on these cards through interchange, monthly fees and float on the card deposits. We ceased marketing cards through several processors in the third and fourth quarters of 2008. FBD launched its Simply Debit prepaid card in October 2009 and will continue providing prepaid card offerings to the under-banked and the unbanked consumer. The Simply Debit card is a general spend program. The card offers a bill pay service and will feature a line of credit. The prepaid debit cards allow consumers to load funds onto cards via payroll direct deposit, network loads or transfers from an existing bank account. The prepaid debit card is a secured product. We plan to have different brand names under the Simply Debit program that will allow us to target specific market segments.

Credit Card Products

We are an issuing bank for certain credit card programs marketed principally to the unbanked and underbanked consumer. FBD originates credit card receivables and sells or participates the majority of such receivables into the secondary market. We previously offered our card products through various third parties,

but have terminated all third party credit card programs, with one exception, as a result of our consent order and discussions with the FDIC. FBD does not issue new accounts for the remaining program. FBD will continue to service cardholders in the remaining program until the cards expire.

We earn a monthly fee for each active account from purchasers, as well as a monthly management fee. In the fourth quarter of 2008, we began a trial offer of our own credit card products, and retained the related receivables. We terminated this trial offer in 2009, but are planning to reoffer several direct credit card programs in 2010. FBD plans to directly offer a secured credit card, private label credit cards and a prime credit card in 2010. At March 31, 2010, FBD had no credit card receivables and no credit card balances on its books.

Credit Line Products

We issue open end lines of credit to the unbanked and under-banked consumer. The line of credit program provides customers with cash advance funds to add onto a prepaid card or deposit into a demand deposit account. The program provides a credit line of up to an approved amount which is usually less than \$600 and includes a 12% transaction fee on the amount of the advance taken. The approved credit line is based on a borrower's deposit history and other credit factors. To access the credit line, the customer must move funds into his or her account telephonically or via the Internet prior to the customer having access to the advance proceeds. This distinguishes the product from overdraft products where customers may unknowingly overdraw their account and be charged fees. FBD originates these credit line receivables and sells or participates the majority of such receivables into the secondary market. We earn a percentage of the transaction fees collected from customers. At March 31, 2010 FBD had no credit line receivables and no credit line balances on its books.

Consumer Installment Loans

We originate consumer installment loans that are generally fully amortizing unsecured loans of \$2,500 or less with a term of up to 24 months and have anywhere between 4 and 48 scheduled repayments. These loans are offered via the Internet and telephone. Customers must have an active checking account, valid identification and a regular source of income. Many of these loans are made to customers with subprime credit characteristics, but these customers still must meet our credit underwriting criteria which may include minimum FICO credit scores, scores from other non-traditional credit reporting agencies and debt to income thresholds. If approved, FBD then assigns a maximum amount for the loan. FBD believes that this conservative qualification approach ensures that even consumers who qualify for the smallest possible loan are not borrowing beyond their means. There are no late fees, deferral fees, extension fees, or rollover fees charged. In addition, there are no minimum finance charges or prepayment penalties associated with the product, and consumers are provided with a two-day rescission period during which they may cancel the loan without cost. Notably, refinances and roll-overs are not available on this product. Upon approval, a customer is then provided a loan agreement, which he or she signs, and the funds are then electronically deposited into the customer's checking account. Principal and interest payments are due at least monthly. Customers may repay their loans via ACH transactions from their bank account, via electronic check or by money order. As a result of higher than normal marketing and servicing costs and higher than normal charge-off volumes, these loans carry an annual interest rate of approximately 87% to 334%. We derive our authority to charge these rates of interest nationally on these loans from the Federal Deposit Insurance Act, which authorizes us to export the rates permitted by the State of Delaware to customers regardless of where they reside. As a Delaware state-chartered depository institution, the Bank is subject to the interest rate laws of the State of Delaware, which do not impose a limit on the maximum rate of interest Delaware banks may charge.

Consumer installment loans were previously offered through unaffiliated third party marketers and servicers with whom we contracted and who owned the internet sites at which the loans were marketed. We have terminated our arrangements with these servicers and now offer our products directly and utilize professional marketers to help us obtain customers. We perform underwriting, customer service and collection functions internally, or through directly contracted third parties. We have developed an infrastructure, including oversight, to support the products.

We sell the majority of our consumer loans or participations in these loans to third party investors and plan to continue this practice. These third party buyers are investors or investment groups familiar with the industry. These loans are sold or participated on a non-recourse basis and the investors bear the risk of loss for any defaults on these loans. We retain a portion of the income on these sold loans, which is recorded as non-interest income. We also retain a portion of the loans we originate. Income on these retained loans is recorded as interest income. Per our internal guidelines, we hold up to 25% of our capital against these loans at any one time. We currently originate loans via the internet or by telephone, which are mostly sold or participated to third parties. At March 31, 2010, there were approximately \$38.8 million of such loans outstanding of which \$4.0 million was retained on the Bank's books. At March 31, 2010, there were no loans classified as "held for sale" that a buyer was committed to purchase.

Financial Condition:

March 31, 2010 Compared to December 31, 2009

Total assets increased \$30.4 million to \$170.8 million at March 31, 2010, compared to \$140.4 million at December 31, 2009. This increase reflected a \$15.8 million increase in loans, an \$11.2 million increase in cash equivalents and a \$3.3 million increase in investment securities between those respective dates.

Loans:

The loan portfolio represents FBD's largest asset, and is its most significant source of interest income. Net loans increased \$15.7 million or 19.1%, to \$98.3 million at March 31, 2010, compared to \$82.6 million at December 31, 2009. Our loan portfolio consists of secured and unsecured commercial loans including commercial real estate loans, loans secured by one-to-four family residential property, commercial construction, residential construction, as well as residential mortgages, home equity loans, consumer installment loans, and other consumer loans. Commercial real estate loans comprise the majority of the loan portfolio. Commercial and commercial real estate loans amounted to \$78.0 million at March 31, 2010 compared to \$64.6 million at December 31, 2009. Construction and land development loans amounted to \$18.8 million and \$16.5 million respectively, at those dates. The significant increases in our core bank loan growth is due to increased lending activity across all areas of our loan portfolio. At March 31, 2010, there were \$4.2 million in consumer loans outstanding compared to \$5.0 million at December 31, 2009.

Investment Securities:

Investment securities available-for-sale are investments that may be sold in response to changing market and interest rate conditions and for liquidity and other purposes. The investment securities available-for-sale consist primarily of U.S. Government agency issued mortgage backed securities. Available-for-sale securities totaled \$10.9 million at March 31, 2010, an increase of \$3.3 million or 43.4%, from year-end 2009. The increase resulted from purchases of two agency securities totaling \$4.0 million partially offset by pay downs of mortgage-backed securities totaling \$755,000. At March 31, 2010, and December 31, 2009, the portfolio had net unrealized gains of \$426,000 and \$399,000, respectively.

Cash and Cash Equivalents:

Cash and due from banks, interest-bearing deposits and federal funds sold comprise this category, which consists of FBD's most liquid assets. The aggregate amount in these three categories increased by \$11.2 million to \$47.9 million at March 31, 2010 from \$36.7 million at December 31, 2009 reflecting increased deposit balances.

Restricted Bank Stock:

FBD is a member of the Federal Home Loan Bank of Pittsburgh ("FHLB") and, as such, has been required to maintain stock at FHLB in proportion to its outstanding FHLB advances. We have no outstanding borrowings from FHLB, but due to the suspension of dividend payments and stock redemptions by the FHLB our stock holdings have remained constant at \$415,000 since the first quarter of 2009 through March 31, 2010.

During the second quarter of 2009, FBD purchased \$60,000 shares of stock in Atlantic Central Bankers Bank ("ACBB") as a support to our line of credit with ACBB. The stock totaled \$60,000 at March 31, 2010 and December 31, 2009. This amount is included in "Restricted Stock" on our balance sheet.

Premises and Equipment:

Bank premises and equipment, net of accumulated depreciation was \$2.9 million at March 31, 2010 and December 31, 2009, respectively. Minimal purchases of new equipment were offset by depreciation.

Bank Owned Life Insurance:

The income earned on these policies is reflected in non-interest income. Bank owned life insurance amounted to \$1.9 million at March 31, 2010 and December 31, 2009.

Other Real Estate Owned

Other real estate owned is comprised of two properties the Bank acquired through loan defaults. The value of properties we held totaled \$1 million at March 31, 2010 and December 31, 2009. We wrote down one of the properties by \$25,000 in the first quarter of 2010.

Other Assets:

Other assets increased by \$300,000 to \$7.1 million at March 31, 2010, compared to December 31, 2009 due to increased receivables from third party vendors. FBD had no intangible assets on its balance sheet at March 31, 2010 or December 31, 2009.

Deposits:

Deposits, which include non-interest and interest-bearing demand deposits, money market, savings and time deposits and may include some brokered deposits, represent our major sources of funding. Deposits are generally solicited from the Delaware market area through the offering of a variety of products to attract and retain customers, with a primary focus on multi-product relationships. We also obtain deposits through relationships with our cash management and card product customers.

Total deposits increased by \$31.3 million to \$126.0 million at March 31, 2010, from \$94.7 million at December 31, 2009. The increase reflected the growth of our multi-product relationships and increases in our core banking activities. The expansion of our electronic payments business which includes merchant acquiring

services, and RCC and ACH transaction processing, has contributed to the growth in deposits and has offset the decline resulting from the exiting of third party relationships. Time deposits increased \$2.7 million to \$34.7 million at March 31, 2010, compared to \$32.0 million at December 31, 2009.

Other Liabilities:

Accrued interest payable, accrued expenses and other liabilities, in the aggregate, decreased by \$1.2 million or 28.3% to \$3.0 million at March 31, 2010 from \$4.2 million at December 31, 2009. The decrease is primarily due to decreased payables held on our books.

Shareholders' Equity:

Total shareholders' equity increased \$379,000 to \$41.8 million at March 31, 2010, compared to \$41.4 million at December 31, 2009. This increase primarily reflected net income of \$339,000.

Results of Operations:

Three Months Ended March 31, 2010 Compared to March 31, 2009

Overview

Our net income decreased to \$339,000 or \$0.03 per diluted share for the three months ended March 31, 2010, compared to \$464,000, or \$0.04 per diluted share for the comparable prior year period. The \$125,000 decrease in net income reflected a \$2.0 million decrease in credit card income due to our termination of third party products. This was partially offset by a \$1.0 million increase in net interest income, a \$314,000 increase in consumer loan income, a \$234,000 increase in cash management fees and a \$263,000 decline in salary and benefit expense. While the Bank has begun to offer its own card products, related volumes have been reduced. These were the primary factors which resulted in a return on average assets and average equity of 0.89% and 3.30% respectively, in the first quarter of 2010 compared to 1.60% and 4.65% respectively for the same period in 2009.

Analysis of Net Interest Income

In addition to significant amounts of consumer loan and credit card fee income, historically, our earnings have depended significantly upon net interest income, which is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is impacted by changes in the mix of the volume and rates of interest-earning assets and interest-bearing liabilities.

The following table presents our average balance sheets, interest income and expense, and yields and rates on interest earning assets and interest bearing liabilities, for the three months ended March 31, 2010 and 2009.

	For the three months ended March 31, 2010			For the three months ended March 31, 2009		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Federal funds sold and other interest- earning assets	\$ 41,129	\$ 22	0.22%	\$ 8,903	\$ 7	0.32%
Securities	10,291	135	5.31%	22,110	217	3.98%
Loans receivable	90,993	3,340	14.89%	74,591	2,130	11.58%
Total interest-earning assets	142,413	3,497	9.96%	105,604	2,354	9.04%
Other assets	12,889			10,406		
Total assets	<u>\$ 155,302</u>			<u>\$ 116,010</u>		
Interest-bearing liabilities:						
Demand-non interest bearing	\$ 33,155			\$ 36,249		
Demand interest-bearing	2,485	\$ 3	0.49%	244	\$ 1	1.66%
Money market & savings	40,797	144	1.43%	22,510	67	1.21%
Time deposits	33,362	149	1.81%	12,384	107	3.50%
Total deposits	109,799	296	1.09%	71,387	175	1.00%
Total interest-bearing deposits	76,644	296	1.57%	35,138	175	2.02%
Other borrowings	-	-	0.00%	911	2	0.89%
Total interest-bearing liabilities	<u>\$ 76,644</u>	<u>\$ 296</u>	<u>1.57%</u>	<u>\$ 36,049</u>	<u>\$ 177</u>	<u>1.99%</u>
Total deposits	109,799	296	1.09%	72,298	177	1.00%
Non interest-bearing liabilities	3,852			3,843		
Shareholders' equity	41,651			39,869		
Total liabilities and shareholders' equity	<u>\$ 155,302</u>			<u>\$ 116,010</u>		
Net interest income		<u>\$ 3,201</u>		<u>\$ 2,177</u>		
Net interest spread			<u>8.39%</u>			<u>7.05%</u>
Net interest margin			<u>9.11%</u>			<u>8.36%</u>

The rate volume table below presents an analysis of the impact on interest income and expense resulting from changes in average volumes and rates from the three months ended March 31, 2009 to the three months ended March 31, 2010. Changes due to rate and volume variances have been allocated to rate.

Rate/Volume Table

	Three months ended March 31, 2010 versus March 31, 2009 (dollars in thousands)		
	Due to change in:		
	Volume	Rate	Total
Interest earned on:			
Federal funds sold	\$ 17	\$ (2)	\$ 15
Securities	(155)	73	(82)
Loans	602	608	1,210
Total interest-earning assets	464	679	1,143
Interest expense of			
deposits			
Interest-bearing demand deposits	(3)	1	(2)
Money market and savings	(64)	(13)	(77)
Time deposits	(94)	52	(42)
Total deposit interest expense	(161)	40	(121)
Other borrowings	2	-	2
Total interest expense	(159)	40	(119)
Net interest income	\$ 305	\$ 719	\$ 1,024

The net interest margin increased 75 basis points to 9.11% for the three months ended March 31, 2010, compared to the prior year comparable period. The majority of the increase resulted from an increase in yield on our consumer installment and an increase in commercial loan balances. Accordingly the average yield on interest-earning assets also increased 92 basis points to 9.96% for the three months ended March 31, 2010, from 9.04% for the prior year comparable period. Without the consumer installment loans, net interest margins would have been approximately 2.99% in the first of quarter 2010 and 3.60% in the first quarter of 2009. The resulting 61 basis point decrease reflected the impact of a declining rate environment and higher levels of lower yielding federal funds sold. The average rate paid on interest-bearing liabilities decreased 42 basis points to 1.57% for the three months ended March 31, 2010, from 1.99% in the prior year comparable period, as FBD chose not to renew higher priced fixed rate time deposits as it anticipated further declines in interest rates. Yields on total deposits increased 9 basis points, to 1.09% in the first quarter of 2010 from 1.00% in the first quarter of 2009 primarily as a result of an increase in interest-bearing deposits and a decline in non-interest demand deposits.

Net interest income increased \$1.0 million, or 47.0%, to \$3.2 million for the three months ended March 31, 2010, from \$2.2 million for the prior year comparable period. The increase resulted primarily from higher loan balances and higher rates thereon. A \$119,000 increase in interest expense primarily reflected the increase in interest-bearing deposits balances, offset by a decrease in rates.

Total interest income increased \$1.1 million, or 48.6%, to \$3.5 million for the three months ended March 31, 2010, from \$2.4 million for the prior year comparable period. Interest and fees on loans increased \$1.2 million to \$3.3 million for the three months ended March 31, 2010, from \$2.1 million for the prior year comparable period. The increase reflected higher loan balances and higher rates on loans. Interest and dividends on investment securities decreased \$82,000 to \$135,000 for the three months ended March 31, 2010, from \$217,000 for the prior year comparable period, average balances were \$11.8 million lower in the first quarter of

2010, due to maturities of FHLB discount notes later in 2009. Federal funds sold income increased \$15,000, or 214.3%, to \$22,000 in the first quarter of 2010, compared to \$7,000 in the first quarter of 2009. The increase reflected higher average federal funds sold balances as a result of deposit increases, though the fed funds yield was 10 basis points less in 2010. As a result of the lower rates, the yield decreased to 0.22% from 0.32% between those respective periods.

Total interest expense increased \$119,000, or 67.2%, to \$296,000 for the three months ended March 31, 2010, from \$177,000 for the prior year comparable period. That increase reflected the impact of higher levels of interest bearing deposits which offset lower interest rates on the cost of interest-bearing liabilities which decreased 42 basis points to 1.57% in the first quarter of 2010 from 1.99% in the first quarter of 2009. Average interest-bearing liabilities increased \$40.6 million, or 112.6%, to \$76.6 million in the first quarter of 2010, from \$36.0 million in the first quarter of 2009.

Interest expense on time deposits (certificates of deposit) increased \$42,000, or 39.3%, to \$149,000 for the first quarter of 2010, from \$107,000 for the prior year comparable period. This increase reflected increased volume in time deposits offset partially by lower rates and the maturity of higher cost time deposits. Average time deposits outstanding increased \$21.0 million, or 169.4%, to \$33.4 million, from \$12.4 million in the prior year comparable period. Approximately \$10.0 million of the time deposit increase was a result of the Bank's issuance of brokered certificates of deposit, which began in 2nd quarter of 2009. These deposits mature in the second quarter of 2010 and may not be renewed.

Provision for Loan Losses

The provision for loan losses is charged to operations in an amount necessary to bring the total allowance for loan losses to a level that management determines is adequate to absorb losses inherent in our loan portfolio. The provision for loan losses increased by \$100,000 to \$825,000 for the three months ended March 31, 2010, from \$725,000 for the prior year comparable period. Our provision expense for commercial loans increased in 2010, and totaled \$250,000 compared to \$125,000 in the first quarter of 2009. This reflected an increase in loan growth between the periods. Provision expense for credit cards declined to \$0 in the first quarter of 2010 from \$175,000 at March 31, 2009 due to the sale of this portfolio in fourth quarter 2009. The provision for our consumer installment loans increased to \$575,000 at March 31, 2010 from \$425,000 at March 31, 2009. The increase was due to a higher volume of loans originated. Our provision for the three months ended March 31, 2010 reflected loan growth, general economic factors, and the consideration of our primary regulator, the FDIC. Management continues to review our loan portfolio to determine the extent, if any, to which additional loss provisions may be necessary. There can be no assurance that the allowance for losses will be adequate to cover losses which may in fact be realized in the future and that additional provisions for losses will not be required.

Non-Interest Income

Total non-interest income decreased \$1.4 million or 50.6%, to \$1.4 million for the three months ended March 31, 2010, compared to \$2.7 million for the prior year comparable period. The decrease reflected a decrease of \$2.0 million, or 94.0% in credit and prepaid card products income partially offset by a \$314,000 increase in consumer loan fee related income. Credit and prepaid card products income decreased primarily from a substantial decrease in the number of active accounts between the periods. One company that marketed FBD credit cards generated \$1.4 million in revenue, or 27.8% of the total first quarter of 2009 revenue, for FBD. The accounts with this marketer were closed and transferred in the fourth quarter of 2009 and FBD will no longer earn revenue on these accounts. No revenue was earned from these accounts in first quarter 2010. The decline in revenue also reflected the termination of certain relationships. Additionally, incentive revenue was earned on the basis of card issuances from Mastercard. The Bank recorded no incentive income related to issuing cards in the first quarter of 2010 as compared to \$132,000 included in card income for the first quarter of 2009. This source of revenue has been largely eliminated due to our exit from certain lines of business, the termination of

relationships with certain third parties as a result of the FDIC Order, and lower originations. We currently offer our own internet consumer loan product. Fees on consumer loans represent income on loans sold or participated to third party purchasers. The increase in loan income resulted primarily from an improved rate of return we experienced between the periods. In 2009 we added electronic payment processing and check casher programs to our cash management business which increased non-interest income by \$234,000 to \$289,000 in 2010 compared to \$55,000 in the first quarter of 2009.

Non-Interest Expenses

Total non-interest expenses decreased \$285,000 or 8.1% to \$3.2 million for the three months ended March 31, 2010, compared to \$3.5 million for the prior year comparable period. Salaries and employee benefits decreased \$263,000 or 12.3%, to \$1.9 million for the three months ended March 31, 2010, from \$2.1 million for the prior year comparable period. The \$263,000 decrease reflected reductions in incentive expenses which offset costs for additional personnel. The additional personnel assist in managing our new directly offered programs.

Occupancy expense increased \$7,000, or 4.1%, to \$178,000 for the first quarter of 2010, compared to \$171,000 for the first quarter of 2009. The increase reflected increased rent expense.

Depreciation expense increased \$6,000, or 5.5% to \$116,000 for the three months ended March 31, 2010, versus \$110,000 for the prior year comparable period.

Legal fees increased \$45,000, or 68.2%, to \$111,000 in the first quarter of 2010, compared to \$66,000 in the first quarter of 2009 primarily due to expenses related to new product development incurred in 2010.

Professional expenses decreased \$113,000, or 48.9%, to \$118,000 in the first quarter of 2010, compared to \$231,000 in the first quarter of 2009 primarily due to fees related to business planning incurred in 2009.

Data processing and operational expense were comparable between the periods at \$144,000.

Credit card program processing expenses decreased \$107,000, or 87.0%, to \$16,000 in the first quarter of 2010, compared to \$123,000 in the first quarter of 2009 primarily due to the elimination of processing fees related to our card products.

FDIC insurance expenses increased \$30,000, or 136.4%, to \$52,000 in the first quarter of 2010 from \$22,000 in the first quarter of 2009. The increase resulted primarily from increases in our deposit base.

Delaware franchise tax decreased \$9,000, or 25.0%, to \$27,000 in the first quarter of 2010 from \$36,000 in the first quarter of 2009. The decrease resulted primarily from decreases in taxable income.

Other expenses increased \$120,000, or 26.4% to \$574,000 for the three months ended March 31, 2010, from \$454,000 for the prior year comparable period. The increase was due to a \$60,000 increase in installment loan expense, a \$36,000 increase in software expenses, a \$25,000 increase in insurance and a \$25,000 write down of OREO.

Provision for Income Taxes

The provision for income taxes decreased \$55,000, to \$181,000 for the three months ended March 31, 2010, from \$236,000 for the prior year comparable period. This decrease was primarily the result of a decrease in pre-tax income. The effective tax rate was approximately 34% in 2010 and 2009.

Commitments, Contingencies and Concentrations

FBD is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit totaling \$15.3 million at March 31, 2010. These instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

Credit risk is defined as the possibility of sustaining a loss due to the failure of the other parties to a financial instrument to perform in accordance with the terms of the contract. The maximum exposure to credit loss under commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. FBD uses the same underwriting standards and policies in making credit commitments as it does for on-balance-sheet instruments.

Financial instruments whose contract amounts represent potential credit risk were comprised of commitments to extend credit of approximately \$14.9 million and \$10.4 million and standby letters of credit of approximately \$462,000 and \$236,000 at March 31, 2010, and December 31, 2009, respectively. The \$4.5 million increase in commitments was primarily due to increases in construction commitments, commercial lending and some credit card lines. The commitments for 2010 and 2009 respectively include \$6.0 million and \$4.7 million in credit card commitments for which the resulting balances are sold after funding. Therefore such amounts are not indicative of actual future liquidity requirements. The Bank has the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary or desirable. The Bank has written contingency plans that document the steps required to effectuate the termination of credit card lines. The purchasers maintain deposit balances at FBD which provide support for daily card funding. FBD closely monitors the liquidity resources of each purchaser.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and many require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. FBD evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include real estate, marketable securities, pledged deposits, equipment and accounts receivable.

Standby letters of credit are conditional commitments that guarantee the performance of a customer to a third party. The credit risk and collateral policy involved in issuing letters of credit is essentially the same as that involved in extending loan commitments. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral held varies but may include real estate, marketable securities, pledged deposits, equipment and accounts receivable.

Regulatory Matters

The following table presents the FBD's capital regulatory ratios at March 31, 2010, and December 31, 2009:

	Actual		For Capital Adequacy Purposes		To be well capitalized under regulatory capital guidelines	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(Dollars in thousands)</i>						
At March 31, 2010						
Total risk based capital.....	\$42,934	39.47%	\$8,702	8.00%	\$10,878	10.00%
Tier one risk based capital.....	41,547	38.19	4,352	4.00	6,527	6.00
Tier one leverage capital	41,547	26.80	6,201	4.00	7,751	5.00
At December 31, 2009						
Total risk based capital.....	\$42,377	45.50%	\$7,451	8.00%	\$9,314	10.00%
Tier one risk based capital.....	41,184	44.22	3,725	4.00	5,588	6.00
Tier one leverage capital	41,184	31.97	5,153	4.00	6,441	5.00

We currently exceed the levels required for a bank to be classified as “well capitalized”. However, the FDIC may consider other criteria when determining such classifications, which criteria could result in a downgrading in such classifications. For instance, capital requirements are higher for consumer installment loans retained on the balance sheet.

Liquidity

Financial institutions must maintain liquidity to meet day-to-day requirements of depositors and borrowers, take advantage of market opportunities and provide a cushion against unforeseen needs. Liquidity needs can be met by utilizing cash and federal funds sold, converting assets to cash through computer repurchase or sale various or drawing upon lines of credit cash generated by increasing deposits represents the primarily source of liquidity.

Regulatory authorities require us to maintain certain liquidity ratios and to maintain available funds, or the capability to obtain available funds at reasonable rates, in order to satisfy commitments to borrowers and the demands of depositors. In response to these requirements, we have formed an Asset/Liability Committee (“ALCO”), comprised of members of the board of directors and senior management, which monitor such ratios. The purpose of the ALCO is in part, to monitor liquidity and adherence to the ratios in addition to managing the relative interest rate risk. ALCO meets at least quarterly.

Our most liquid assets, consisting of cash and due from banks, interest-bearing deposits with banks and federal funds sold, totaled \$47.8 million at March 31, 2010, compared to \$36.7 million at December 31, 2009, due primarily to an increase in cash and due from banks. Loan maturities and repayments, if not reinvested in loans, also are immediately available for liquidity. Funding requirements have historically been satisfied primarily by generating core deposits and certificates of deposit with competitive rates. At March 31, 2010, we had aggregate outstanding commitments (including unused lines of credit and letters of credit) of \$15.3 million. The commitments include \$6.0 million in credit card commitments for which the resulting balances are typically sold after funding; as a result, such amounts are not indicative of actual future liquidity requirements. We have the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary

or desirable. We have written contingency plans that document the steps required to effectuate the termination of credit card lines. Also, the purchasers maintain deposit balances at FBD which provide support for daily card funding. We closely monitor the liquidity resources of each purchaser. Time deposits scheduled to mature in one year totaled \$34.5 million at March 31, 2010. FBD anticipates that it will have sufficient funds available to meet its current commitments.

Our target and actual liquidity levels are determined by comparisons of the estimated repayment and marketability of our interest-earning assets with projected future outflows of deposits and other liabilities. We have a line of credit with the Federal Home Loan Bank of Pittsburgh with an approximate March 31, 2010 maximum borrowing capacity of \$32.9 million, which is rarely used. We have also established a rarely used contingency line of credit with a correspondent bank to assist in managing our liquidity position. A total of \$4.0 million was available under that line of credit at March 31, 2010. As of March 31, 2010, we had no related outstanding balances for either accommodation.

Our primary short-term funding sources are certificates of deposit and our securities portfolio. The circumstances that are reasonably likely to affect those sources are as follows. We have historically been able to generate certificates of deposit by matching Philadelphia and Delaware market rates or paying a premium rate of 25 to 50 basis points over those market rates. It is anticipated that this source of liquidity will continue to be available; however, its incremental cost may vary depending on market conditions. The securities portfolio is also available for liquidity. Numerous investment companies would likely provide repurchase agreements up to the amount of the market value of the securities.

The ALCO is responsible for managing liquidity and interest sensitivity. Its primary objective is to maximize net interest income while configuring the interest-sensitive assets and liabilities to manage interest rate risk and provide adequate liquidity. Decisions with respect to our securities portfolio generally reflect liquidity over other considerations.

Investment Securities Portfolio

At March 31, 2010, FBD had identified certain investment securities that are being held for indefinite periods of time, including securities that will be used as part of our asset/liability management strategy and that may be sold in response to changes in interest rates, prepayments and similar factors. These securities are classified as available for sale and are intended to increase the flexibility of our asset/liability management. Available for sale securities consisted primarily of U.S. Government Agency securities. The book and market values of investment securities available for sale were approximately \$10.5 and \$10.9 million as of March 31, 2010. The net unrealized gain on investment securities available for sale as of that date was \$426,000.

Loan Portfolio

Our loan portfolio consists of secured and unsecured commercial loans including commercial real estate loans, loans secured by one-to-four family residential property, commercial construction, residential construction, as well as residential mortgages, home equity loans, consumer installment loans, and other consumer loans. Commercial loans are primarily term loans made to small to medium-sized businesses and professionals for working capital, asset acquisition and other purposes. Commercial loans are originated as either fixed or variable rate loans with typical terms of 1 to 5 years. Our commercial loans typically range between \$250,000 and \$3,000,000 but customers may borrow significantly larger amounts up to the secured legal lending limit of approximately \$11.3 million at March 31, 2010. Individual customers may have several loans often secured by different collateral. The majority of consumer installment loans and credit card receivables are sold or participated without recourse, as internal guidelines limit the retention of such loans to 25% of capital. Net loans increased \$15.7 million, to \$98.3 million at March 31, 2010, from \$82.6 million at December 31, 2009. Lending activity has increased across all areas of our loan portfolio. FBD has recently increased its commercial lending staff and is actively pursuing new commercial lending opportunities.

The following table sets forth the gross loans by major categories for the periods indicated:

(dollars in thousands)	As of March 31, 2010		As of December 31, 2009	
	Balance	% of Total	Balance	% of Total
Commercial and				
commercial real estate	\$ 64,271	63.1	\$ 59,011	68.6
Construction and land development	18,763	18.4	16,471	19.1
Commercial and industrial	13,684	13.4	4,566	5.3
Commercial Unsecured	949	0.9	949	1.1
	<u>97,667</u>	<u>95.9</u>	<u>80,997</u>	<u>94.1</u>
Consumer installment loans	4,039	4.0	4,989	5.8
Consumer - other loans	150	0.1	90	0.1
Total loans	<u>101,856</u>	<u>100%</u>	<u>86,076</u>	<u>100%</u>
Less: allowance for loan losses	<u>(3,567)</u>		<u>(3,512)</u>	
Net loans	<u>\$ 98,289</u>		<u>\$ 82,564</u>	

Credit Quality

Our written lending policies require specified underwriting, loan documentation and credit analysis standards to be met prior to funding, with independent credit department approval for the majority of new loan balances. A committee of our board of directors oversees the loan approval process to monitor that proper standards are maintained, while approving the majority of commercial loans.

Loans, including impaired loans, are generally classified as non-accrual if they are past due as to maturity or payment of interest or principal for a period of more than 90 days, unless such loans are well-secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt. We have one relationship totaling \$1.6 million which is classified as non-accrual but for which the customer is currently making payments. Payments made to this loan will be applied to principal.

Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms.

While a loan is classified as non-accrual or as an impaired loan and the future collectibility of the recorded loan balance is doubtful, collections of interest and principal are generally applied as a reduction to principal outstanding. When the future collectibility of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a non-accrual loan had been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered.

The following summary shows information concerning loan delinquency and other non-performing assets at the dates indicated.

	March 31, 2010	December 31, 2009
(dollars in thousands)		
Loans accruing, but past due 90 days or more	\$ -	\$ 240
Non-accrual loans	2,312	2,346
Total non-performing loans (1)	2,312	2,586
Other real estate owned	1,024	1,049
Total non-performing assets (2)	<u>\$ 3,336</u>	<u>\$ 3,635</u>
Non-performing loans as a percentage of total loans net of unearned income	2.27%	3.00%
Non-performing assets as a percentage of total assets	1.95%	2.59%

(1) Non-performing loans are composed of (i) loans that are on a nonaccrual basis; (ii) accruing loans that are 90 days or more past due and (iii) restructured loans.

(2) Non-performing assets are composed of non-performing loans and other real estate owned (assets acquired in foreclosure).

Non-performing loans of \$2.3 million at March 31, 2010 were decreased from \$2.6 million at December 31, 2009, primarily as a result of a past due loan returning to current status. There were no loans accruing, but past due 90 days or more at March 31, 2010.

Problem loans consist of loans that are included in performing loans, but for which potential credit problems of the borrowers have caused management to have serious doubts as to the ability of such borrowers to continue to comply with present repayment terms. At March 31, 2010, all identified problem loans are included in the preceding table or are classified with a specific reserve allocation in the allowance for loan losses (see "Allowance For Loan Losses"). Management believes that the appraisals and other estimates of the value of the collateral pledged against the non-accrual loans generally exceed the amount of its outstanding balances.

Other Real Estate Owned:

There were two properties held in other real estate owned at March 31, 2010 with a value of \$1.0 million. We wrote down one property by \$25,000 in the first quarter of 2010.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the three months ended March 31, 2010, and 2009, and the year ended December 31, 2009 is as follows:

(dollars in thousands)	For the three months ended March 31, 2010	For the year ended December 31, 2009	For the three months ended March 31, 2009
Balance at beginning of period.....	\$3,512	\$ 2,935	\$2,935
Charge-offs:			
Commercial and commercial real estate.....	-	997	
Construction and land development.....	-	-	363
Credit cards.....	-	1,128	399
Consumer installment loans.....	895	2,182	672
Consumer.....	-	-	-
Total charge-offs	<u>895</u>	<u>4,307</u>	<u>1,434</u>
Recoveries:			
Commercial and commercial real estate....	-	-	-
Credit cards.....	-	12	4
Consumer installment loans.....	150	452	79
Consumer.....	-	46	46
Total recoveries.....	<u>150</u>	<u>510</u>	<u>129</u>
Net charge-offs.....	<u>745</u>	<u>3,797</u>	<u>1,305</u>
Provision for loan losses.....	<u>825</u>	<u>4,374</u>	<u>725</u>
Balance at end of period.....	<u>\$3,592</u>	<u>\$3,512</u>	<u>\$2,355</u>
Average loans outstanding (1).....	<u>\$90,993</u>	<u>\$76,858</u>	<u>\$74,591</u>
As a percent of average loans (1):			
Net charge-offs (annualized).....	3.27%	4.94%	7.00%
Provision for loan losses (annualized).....	3.63%	5.69%	3.89%
Allowance for loan losses.....	3.95%	4.57%	3.16%
Allowance for loan losses to:			
Total loans, net of unearned income at period end	3.53%	4.08%	3.22%
Total non-performing loans at period end.....	155.36%	135.81%	305.05%
(1) Includes nonaccruing loans.			

At March 31, 2010, and December 31, 2009, internally classified accruing loans totaled approximately \$3.1 million and \$3.2 million respectively. We had delinquent loans as follows: (i) 30 to 59 days past due, in the aggregate principal amount of \$238,000 at March 31, 2010 and \$594,000 at December 31, 2009; and (ii) 60 to 89 days past due, at March 31, 2010 and December 31, 2009, in the aggregate principal amount of \$0 and \$373,000, respectively.

The recorded investment in loans that are impaired in accordance with ASC 310 totaled \$4.7 at March 31, 2010, and \$4.9 million at December 31, 2009, and the amount of related valuation allowances was \$0 and \$0 million respectively. An additional reserve of \$548,000 has been established for the \$4.7 million at March 31, 2010 as the result of an FDIC examination. There were no commitments to extend credit to any borrowers with impaired loans as of the end of the periods presented herein.

Management makes at least a quarterly determination as to an appropriate provision from earnings to maintain an allowance for loan losses that management believes is adequate to absorb losses inherent in our loan portfolio. The board of directors periodically reviews the status of all non-accrual and impaired loans and loans classified by regulators or the internal loan review officer, who reviews both the loan portfolio and overall adequacy of the allowance for loan losses. The board of directors also considers specific loans, pools of similar loans, historical charge-off activity, economic conditions and other relevant factors in reviewing the adequacy of the loan loss reserve. Any additions deemed necessary to the allowance for loan losses are charged to operating expenses. We have an existing loan review program, which monitors the loan portfolio on an ongoing basis.

We have an existing loan review program for our community banking segment, through which we monitor the loan portfolio on an ongoing basis. In addition, FBD conducts monthly loan review meetings where it reviews all construction loans and all loans on its watch and classified list. The results of these meetings are submitted to the board of directors. We also meet monthly to review the portfolio performance of our consumer installment loans, credit line and credit card products.

Estimating the appropriate level of the allowance for loan losses at any given date is difficult, particularly in a continually changing economy. In our opinion, the allowance for loan losses was appropriate at March 31, 2010. However, there can be no assurance that, if asset quality deteriorates in future periods, additions to the allowance for loan losses will not be required.

It is not feasible to determine in which loan category future charge-offs and recoveries may occur. The entire allowance for loan losses is available to absorb loan losses in any loan category. The majority of the loan portfolio represents loans made for commercial purposes, while significant amounts of residential property may serve as collateral for such loans. FBD attempts to evaluate larger loans individually, on the basis of its loan review process, which scrutinizes loans on a selective basis, and other available information. Even if all commercial purpose loans could be reviewed, there is no assurance that information on potential problems would be available. The portfolio of consumer loans is evaluated in groups. At March 31, 2010, loans classified as commercial and construction, and consumer purposes respectively, amounted to \$97.7 million and \$4.2 million.

Effects of Inflation

The majority of assets and liabilities of a financial institution are monetary in nature. Therefore, a financial institution differs greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. Management believes that the most significant impact of inflation on financial results is the need and ability to react to changes in interest rates. Management attempts to maintain a relatively balanced position between rate sensitive assets and liabilities over a one year time horizon in order to protect net interest income from being affected by excessive interest rate fluctuations.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company”, the Bank is not required to provide the information otherwise required by this item.

ITEM 4T: CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and Acting Chief Financial Officer, with the assistance of management, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this report (the “Evaluation Date”). Based on that evaluation, our Chief Executive Officer and Acting Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Acting Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Changes in internal controls.

There has not been any change in our internal control over financial reporting during our quarter ended March 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

DAS, WAC and Browning

On August 5, 2009, Data Access Systems Inc., or DAS, instituted a proceeding against us in the Chancery Court of the State of Delaware, in a matter styled *Data Access Systems Inc. v. First Bank of Delaware and Firstview LLC*. We had sponsored DAS with Visa and MasterCard so that DAS could have access to the Visa and MasterCard systems.

In January 2009, we became aware that DAS had not maintained its network according to the security standards prescribed by Visa and MasterCard. An investigation by a third party expert confirmed this and in March 2009, we initiated termination of DAS sponsorship. As a consequence of this security breach, substantial numbers of fraudulent transactions were executed over DAS's computer network. Because we were DAS's sponsoring member, we were responsible to Visa and MasterCard for any losses on these transactions on DAS's network.

DAS then filed suit asking the court to order us to process its then current transactions. DAS also sought an accounting for funds that DAS claims are due to it by us. Finally, DAS is seeking money held by us relating to the DAS transactions, and purported damages, on a variety of overlapping legal bases to DAS's business caused by our termination of our relationship with DAS, including purported damage caused by DAS's inability to continue processing transactions for its customers.

In July 2009, we also terminated our sponsorship of another merchant, World Access Corporation, or WAC. We had sponsored WAC with Visa and MasterCard so that WAC could have access to the Visa and MasterCard systems. WAC used its position as a sponsored member of Visa and MasterCard to provide operators of automated teller machines (ATMs) with access to the Visa and MasterCard networks. In connection with the termination, we determined that WAC owed us money arising out of the sponsorship relationship and withheld sufficient funds from WAC to cover WAC's indebtedness to us. On August 7, 2009, WAC instituted a proceeding against us in the Chancery Court of the State of Delaware, in a case styled *World Access Corporation and EFX Corporation v. First Bank of Delaware, Firstview, LLC and Great Northern Bank*.

WAC disputes that it owed any money to us. Consequently, WAC filed suit seeking the return of the money withheld by us, as well as damages that it purportedly sustained as a result of our cancellation of its relationship with WAC. WAC is seeking damages both for the disputed fees owed by it to us and for purported damages to its relationships with its customers who offer ATM services over the Visa and MasterCard network. This case was recently consolidated with the DAS case. After consolidation the court ordered the plaintiffs in the consolidated case to file a consolidated complaint by mid-March. The plaintiffs complied with this order and filed such a consolidated complaint. We answered the complaint, denied liability with respect to the plaintiffs claims, and included counterclaims against the plaintiffs based upon their respective breaches of Visa and MasterCard rules regarding maintaining the security of merchant computer systems.

On December 7, 2009, Billy S. Browning Jr. filed a putative class action complaint in the Superior Court of the State of Delaware in and for New Castle County, in a case styled as *Billy S. Browning, Jr., individually and as proprietor, owner and/or member of B & Brown, Inc., Onek, LLC, and Korwitt, LLC, on behalf of himself and a proposed class of those similarly situated, v. Data Access Systems, Inc. and First Bank of Delaware*. The issues presented in the case were originally presented in a motion for intervention into the DAS case.

The plaintiffs are three operators of ATMs that formerly gained access to the Visa and MasterCard networks through DAS. The case is putatively a class action and seeks to include all the operators of ATM machines who

formerly accessed the Visa and MasterCard network through DAS as members of the class. The case, however, has not been certified as a class action.

The complaint alleges that when we terminated our relationship with DAS, we froze funds payable to DAS to cover the costs incurred by us as a result of DAS's operating an insecure network over the Visa and MasterCard system. The complaint seeks damages for the loss and use of those funds while the funds were withheld and purported damage to plaintiffs' businesses resulting from their lack of access to the Visa and MasterCard network. The complaint seeks these damages both from DAS and from us. The case is at a very early stage and no discovery has yet been initiated.

Yulon Clerk

On September 23, 2009, the plaintiff filed a putative class action complaint against us in the Court of Common Pleas for Philadelphia County. On November 6, 2009, we removed the action to the United States District Court for the Eastern District of Pennsylvania. The matter is captioned as *Clerk v. First Bank of Delaware d/b/a Eastern Specialty Finance, Inc., d/b/a Check 'n Go*, Case No. 2:09-cv-5121-JD.

On November 16, 2009, we filed a motion to stay all proceedings and compel arbitration. On March 22, 2010, the court granted our motion to stay all proceedings and compel arbitration and directed the parties to arbitrate plaintiff's claims in accordance with the terms of the parties' arbitration agreement. The court also stayed the case pending a final decision in arbitration.

To date, the plaintiff has not initiated arbitration.

At this time, it is too early to determine the likelihood of an unfavorable outcome or the ultimate liability, if any, resulting from this case. We expect that our defense costs will be paid by another entity pursuant to contractual indemnification agreements, and we expect that any liability resulting from this case will be paid by the other entity pursuant to the same indemnification agreements.

Other Matters

We previously reported on administrative enforcement actions taken by the FDIC and Illinois Department of Financial & Professional Regulation, Division of Financial Institutions, and on an action filed by the San Francisco City Attorney in the name of the People of the State of California in the Superior Court of the State of California, County of San Francisco, against First Bank of Delaware, Monetary Management of California, Inc. and Money Mart Express, Inc., and Check 'N Go of California, Inc. and its affiliated companies, in our Annual Report on Form 10-K for the year ended December 31, 2009. There were no material developments with respect to these actions during the quarter ended March 31, 2010.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: (REMOVED AND RESERVED)

ITEM 5: OTHER INFORMATION

None

ITEM 6: EXHIBITS

The following Exhibits are filed as part of this report. (Exhibit numbers correspond to the exhibits required by Item 601 of Regulation S-K)

Exhibit No.

31.1 Certification of the Chief Executive Officer and Acting Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act

32.1 Certification of the Chief Executive Officer and Acting Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

First Bank of Delaware

/s/ Alonzo J. Primus

Alonzo J. Primus

President and

Chief Executive Officer

Acting Chief Financial Officer

Dated: May 14, 2010

CERTIFICATION

I, Alonzo J. Primus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Bank of Delaware (the "company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 14, 2010

/s/ Alonzo J. Primus
Alonzo J. Primus
President and Chief Executive Officer
Acting Chief Financial Officer

