

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20429

FORM 10-QSB

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

For the Quarterly Period Ended: **June 30, 2007**

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)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 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.

11,375,530 shares of Issuer's Common Stock, par value
\$0.05 per share, issued and outstanding as of August 7, 2007

Page 1 of 47

Exhibit index appears on page 42

TABLE OF CONTENTS

	<u>Page</u>
Part I: Financial Information	
Item 1: Financial Statements (unaudited)	3
Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3: Controls and Procedures	40
Part II: Other Information	
Item 1: Legal Proceedings	41
Item 2: Unregistered Sales of Equity Securities and Use of Proceeds	41
Item 3: Defaults Upon Senior Securities	41
Item 4: Submission of Matters to a Vote of Security Holders	41
Item 5: Other Information	41
Item 6: Exhibits	42

PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

<u>Number</u>	<u>Page</u>
(1) Consolidated Balance Sheets as of June 30, 2007 and December 31, 2006 (unaudited).....	4
(2) Consolidated Statements of Income for the three and six months ended June 30, 2007 and 2006 (unaudited)	5
(3) Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006 (unaudited)	6
(4) Consolidated Statement of Changes in Shareholders' Equity for the six months ended June 30, 2007 and 2006 (unaudited)	7
(5) Notes to Consolidated Financial Statements (unaudited).....	8

First Bank of Delaware
Consolidated Balance Sheets
as of June 30, 2007 and December 31, 2006
(Dollars in thousands, except per share data)

ASSETS:	<u>June 30, 2007</u> (unaudited)	<u>December 31, 2006</u>
Cash and due from banks	\$ 2,032	\$ 1,917
Interest bearing deposits with banks	708	697
Federal funds sold	<u>42,336</u>	<u>36,141</u>
Total cash and cash equivalents	45,076	38,755
Investment securities available for sale, at fair value	9,494	9,689
Federal Home Loan Bank stock, at cost	228	172
Loans held for sale	4,094	-
Loans receivable (net of allowance for loan losses of \$2,013 and \$1,860, respectively)	69,769	67,697
Premises and equipment, net	2,637	1,177
Accrued interest receivable	458	428
Bank owned life insurance	1,724	1,693
Other assets	<u>5,576</u>	<u>4,302</u>
Total Assets	<u>\$ 139,056</u>	<u>\$ 123,913</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Demand – non-interest-bearing	\$ 31,851	\$ 24,313
Demand – interest-bearing	115	78
Money market and savings	32,840	24,285
Time under \$100,000	24,434	27,189
Time \$100,000 or more	<u>14,608</u>	<u>16,771</u>
Total Deposits	103,848	92,636
Short term borrowings	1,259	-
Accrued interest payable	1,248	718
Due to consumer loan servicers and purchasers	982	3,390
Other liabilities	<u>2,901</u>	<u>1,316</u>
Total Liabilities	<u>110,238</u>	<u>98,060</u>
Shareholders' Equity:		
Respective amounts as of June 30, 2007 and December 31, 2006:		
Common stock par value: \$0.05: 15,000,000 shares authorized		
Shares issued 11,375,530 at June 30, 2007		
Shares issued: 11,359,017 at December 31, 2006		
	569	568
Additional paid in capital	13,252	13,201
Retained earnings	15,450	12,420
Stock held by deferred compensation plan	(384)	(384)
Accumulated other comprehensive income (loss)	<u>(69)</u>	<u>48</u>
Total Shareholders' Equity	<u>28,818</u>	<u>25,853</u>
Total Liabilities and Shareholders' Equity	<u>\$ 139,056</u>	<u>\$ 123,913</u>

(See notes to consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Income
For the Three and Six Months Ended June 30, 2007 and 2006
(Dollars in thousands, except per share data)
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Interest income:				
Interest and fees on loans	\$1,962	\$1,862	\$3,842	\$3,272
Interest and dividend income on federal funds sold and other interest-earning balances	597	291	1,202	765
Interest and dividends on investment securities	149	11	298	22
Total interest income	<u>2,708</u>	<u>2,164</u>	<u>5,342</u>	<u>4,059</u>
Interest expense:				
Demand - interest bearing	1	-	1	-
Money market and savings	350	155	642	316
Time less than \$100,000	354	136	728	303
Time over \$100,000	218	122	441	250
Other borrowed funds	7	-	7	-
	<u>930</u>	<u>413</u>	<u>1,819</u>	<u>869</u>
Net interest income	1,778	1,751	3,523	3,190
Provision for loan losses	18	569	152	791
Net interest income after provision for loan losses	<u>1,760</u>	<u>1,182</u>	<u>3,371</u>	<u>2,399</u>
Non-interest income:				
Loan advisory and servicing fees	57	16	70	24
Service fees on deposit accounts	111	47	218	74
Net gain on sales of loans	417	-	559	-
Consumer loan fee income	2,111	624	3,594	1,423
First Capital Exchange fee income	9	-	64	-
Tax refund products	-	179	-	2,142
Card products	1,482	413	2,613	685
Other income	68	14	121	27
	<u>4,255</u>	<u>1,293</u>	<u>7,239</u>	<u>4,375</u>
Non-interest expenses:				
Salaries and employee benefits	2,022	1,109	3,937	2,439
Occupancy	156	97	254	188
Depreciation	56	78	104	157
Legal	230	35	293	106
Data processing and operational expenses	57	61	125	138
Delaware franchise tax	150	35	243	140
Professional fees	75	51	124	129
Other operating expenses	424	351	902	817
	<u>3,170</u>	<u>1,817</u>	<u>5,982</u>	<u>4,114</u>
Income before income taxes	2,845	658	4,628	2,660
Provision for income taxes	991	239	1,598	931
Net Income	<u>\$1,854</u>	<u>\$419</u>	<u>\$3,030</u>	<u>\$1,729</u>
Earnings per share:				
Basic	<u>\$0.16</u>	<u>\$0.05</u>	<u>\$0.26</u>	<u>\$0.22</u>
Diluted	<u>\$0.16</u>	<u>\$0.05</u>	<u>\$0.26</u>	<u>\$0.22</u>

(See notes to consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2007 and 2006
(Dollars in thousands)
(unaudited)

	Six months ended	
	June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 3,030	\$ 1,729
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	152	791
Stock compensation expense	28	1
Depreciation	104	157
Amortization of discount on investment securities	(6)	-
Net gain on sale of loans	(559)	-
Increase in value of bank owned life insurance	(31)	(26)
Decrease (increase) in accrued interest receivable and other assets	(1,243)	1,067
Decrease in due to consumer loan servicers and purchasers	(2,408)	(709)
Increase (decrease) in accrued interest payable and other liabilities	2,115	(390)
Net cash provided by operating activities	1,182	2,620
Cash flows from investing activities:		
Purchase of securities:		
Available for sale	(322)	-
FHLB Stock purchase	(56)	-
Proceeds from principal receipts, calls and maturities of securities:		
Available for sale	346	45
Gross loans originated for sale	(54,991)	-
Proceeds from sales of loans	51,455	-
Net increase in loans	(2,224)	(2,094)
Premises and equipment expenditures	(1,564)	(40)
Net cash used in investing activities	(7,356)	(2,089)
Cash flows from financing activities:		
Net proceeds from the exercise of stock options	24	654
Net proceeds from the common stock offering	-	7,647
Net increase in demand, money market and savings deposits	16,130	1,279
Net increase in short term borrowings	1,259	-
Net decrease in time deposits	(4,918)	(7,072)
Net cash provided by financing activities	12,495	2,508
Increase in cash and cash equivalents	6,321	3,039
Cash and cash equivalents, beginning of period	38,755	22,838
Cash and cash equivalents, end of period	\$ 45,076	\$ 25,877
Supplemental disclosure:		
Interest paid	\$ 1,289	\$ 815
Taxes paid	\$ 1,700	\$ 1,400

FIRST BANK OF DELAWARE
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended June 30, 2007 and June 30, 2006
(Dollars in thousands)
(Unaudited)

	Comprehensive Income	Common Stock	Additional Paid in Capital	Retained Earnings	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
Balance January 1, 2007		\$ 568	\$ 13,201	\$ 12,420	\$ (384)	\$ 48	\$ 25,853
Options exercised(16,513 shares)		1	23	—	—	—	24
Stock based compensation		—	28	—	—	—	28
Total other comprehensive loss, net of taxes \$61	\$ (117)	—	—	—	—	(117)	(117)
Net income year to date	3,030	—	—	3,030	—	—	3,030
Total comprehensive income	\$ 2,913						
Balance June 30, 2007		\$ 569	\$ 13,252	\$ 15,450	\$ (384)	\$ (69)	\$ 28,818

	Comprehensive Income	Common Stock	Additional Paid in Capital	Retained Earnings	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
Balance January 1, 2006		\$ 376	\$ 5,084	\$ 8,986	\$ (149)	\$ 4	\$ 14,301
Options exercised(425,363 shares)		21	633	—	—	—	654
Stock based compensation		—	1	—	—	—	1
Proceeds from Stock Offering, net of offering cost of \$2,900		170	7,477	—	—	—	7,647
Total other comprehensive loss, net of taxes \$8	\$ (16)	—	—	—	—	(16)	(16)
Net income year to date	1,729	—	—	1,729	—	—	1,729
Total comprehensive income	\$ 1,713						
Balance June 30, 2006		\$ 567	\$ 13,195	\$ 10,715	\$ (149)	\$ (12)	\$ 24,316

(See notes to consolidated financial statements)

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

Note 1: Organization

First Bank of Delaware (“FBD”, “Bank” or the “Company”)

FBD is a commercial bank chartered pursuant to the laws of the State of Delaware with its principal office located at Brandywine Commons II, Concord Pike, Wilmington, Delaware. As a Delaware chartered bank, it is subject to the regulations and examination of the Delaware State Banking Commissioner. As a state chartered bank which is not a member of the Federal Reserve System, it is also subject to examination and comprehensive regulation by the Federal Deposit Insurance Corporation (“FDIC”). Deposits are insured up to applicable limits by the Bank Insurance Fund of the FDIC. FBD presently conducts its principal business banking activities through two full service offices in Wilmington, and a loan office in Lewes, Delaware. FBD offers a variety of credit and depository banking services. Commercial loan services are primarily offered to individuals and businesses in the Delaware area through the three offices; however a substantial number of consumer installment loans (120 days and over) are made in various states via the Internet. Credit and prepaid card products are also offered nationally. The majority of loan balances resulting from these national products are sold in the secondary market. FBD has two subsidiaries, BSC Services Corp. and FBD Capital Markets, Inc. (d/b/a “First Capital Exchange”). BSC Services Corp. provides operations, accounting, compliance and human resources staffing to FBD and Republic First Bancorp; which was the parent company of First Bank of Delaware prior to its spin-off on January 1, 2006. FBD offers mezzanine and related financing through its subsidiary, First Capital Exchange. Such financing is generally short-term (less than two years), with higher loan to value ratios than loans made by the bank. Risk and returns are also higher. FBD also provides banking services to money transmitters.

Note 2: Summary of Significant Accounting Policies:

Basis of Presentation:

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-QSB and Article 10 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 six month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

Risks and Uncertainties and Certain Significant Estimates:

FBD's earnings include significant amounts of consumer installment loan and credit card product fee income. Also, FBD is dependent upon the level of 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, the result of operations of FBD is subject to risks and uncertainties surrounding their exposure to change in the interest rate environment.

Prepayments on fixed rate loans and mortgage-backed securities vary significantly and may cause significant fluctuations in interest margins.

At June 30, 2007, there were approximately \$2.0 million of consumer installment loans outstanding on the balance sheet, which were originated in various states and via the internet. These loans generally have principal amounts of \$5,000 or less. Legislation eliminating or limiting interest rates upon consumer loans has from time to time been proposed. Should such proposals cease, increased competition will likely result in lower pricing. Certain loans that FBD originates are classified as "Held For Sale" on the balance sheet.

During 2006, FBD offered two tax refund products to customers of Liberty Tax Service. Liberty Tax Service is a nationwide tax service provider which prepares and electronically files federal and state income tax returns and FBD offers certain Liberty Tax Service customers accelerated refunds ("Tax Refund Products"). Tax Refund Products consist of electronic refund checks ("ERCs") and refund anticipation loans ("RALs"). FBD has decided not to continue with this program. This decision had an adverse affect on our business and operations in the first and second quarters of 2007. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments."

FBD is an issuing bank for certain credit card programs. FBD originates credit card receivables and sells the majority of such receivables into the secondary market. FBD earns a monthly fee for each active account. At June 30, 2007 and December 31, 2006 FBD had approximately \$394,000 and \$306,000 of credit card related receivables on its books.

FBD offers prepaid cards 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.

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 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 the intent and ability of the Company to retain 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.

FBD's results of operations will be significantly affected by the ability of borrowers to repay their loans and many national consumer borrowers, including short term installment loan customers, are considered to be high credit risks. Further, litigation in connection with such consumer loans, if successful, and if not reimbursed by loan servicers obligated to indemnify FBD, could have an adverse impact on earnings and financial condition.

FBD is subject to federal and state regulations governing virtually all aspects of its 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments."

Stock Based Compensation:

The Company maintains a Stock Option Plan (the “Plan”) under which the Company grants options to its employees and directors. Under terms of the plan, 1.5 million shares of common stock are reserved for such options. 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 three to four 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 six months ended June 30, 2007 is presented below:

	For the Six Months Ended June 30, 2007	
	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	891,071	\$2.49
Granted	167,000	\$3.10
Exercised	(16,513)	\$1.46
Forfeited	-	-
Outstanding, end of period	<u>1,041,558</u>	<u>\$2.62</u>
Options exercisable at period-end	<u>864,558</u>	<u>\$2.51</u>
Weighted average fair value of options granted during the period		<u>\$1.21</u>

The following table summarizes information about options outstanding under the Plan as of June 30, 2007.

Range of Exercise Prices	Options outstanding			Options exercisable	
	Shares	Weighted Average remaining contractual life (years)	Weighted Average exercise price	Shares	Weighted Average Exercise Price
\$0.78 to \$1.00	20,350	3.5	\$ 0.78	20,350	\$ 0.78
\$1.01 to \$1.50	15,950	4.5	1.20	15,950	1.20
\$1.51 to \$1.99	23,600	4.1	1.66	23,600	1.66
\$2.00 to \$2.69	365,258	6.9	2.51	365,258	2.51
\$2.70 to \$3.10	616,400	8.2	2.82	439,400	2.71
	<u>1,041,558</u>		<u>\$ 2.62</u>	<u>864,558</u>	<u>\$ 2.51</u>

During the six months ended June 30, 2007, \$18,000 was recognized in compensation expense, with a 35% assumed tax benefit, for the Plan. Of that expense \$9,000 was recognized in the second quarter. The fair value of each option granted in 2007 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: cash dividend yield of 0%; expected volatility of 25.24%; risk-free interest rate of 4.7% and an expected life of 7.0 years. No shares vested in the first six months of 2007, but expense is recognized ratably over the period required to vest. There were 10,000 unvested options at the beginning of 2007 with a fair value of \$11,900 with

\$8,905 of that amount remaining to be recognized as expense. At June 30, 2007, there were 177,000 unvested options with a fair value of \$213,970 with \$178,790 of that amount remaining to be recognized as expense. At that date, the intrinsic value of the 1,041,558 options outstanding was \$31,247, while the intrinsic value of the 864,558 exercisable (vested) options was \$121,038. No options were forfeited during the first six months of 2007.

	For the Six Months Ended	
	June 30, 2006	
	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,052,968	\$2.11
Granted	281,955	\$2.46
Exercised	(425,358)	\$1.53
Forfeited	(2,200)	\$2.92
Outstanding, end of period	<u>907,365</u>	<u>\$2.49</u>
Options exercisable at period-end	<u>897,365</u>	<u>\$2.49</u>
Weighted average fair value of options granted during the period		<u>\$1.20</u>

During the six months ended June 30, 2006, \$1,000 was recognized in compensation expense for the Plan. The Company granted 10,000 options during the six months ended June 30, 2006, and a related compensation expense of \$1,000 was recognized in the Stock Option Plan during the six months ended June 30, 2006. Existing options were increased by 271,955 shares in proportion to the common stock rights offering, with an exercise price equal to the market price of \$2.45 at the offering close. No compensation expense was recognized related to this increase.

Note 3: Reclassifications

Certain items in the consolidated financial statements and accompanying notes have been reclassified to conform to the current year's presentation format. There was no effect on net income for the periods presented herein as a result of reclassifications.

Note 4: Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments. This statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interest in Securitized Financial Assets. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company adopted this guidance on January 1, 2007. The adoption did not have any effect on the Company's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Asset- An Amendment of FASB Statement No. 140. This statement amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. It also permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. The Company adopted this statement effective January 1, 2007. The adoption did not have a material effect on the Company's financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that companies recognize in their financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006 with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. In May 2007, the FASB issued FASB Staff Position ("FSP") FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48" (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective retroactively to January 1, 2007. The adoption did not have a material effect on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. The Company is currently evaluating the impact, if any, of the adoption of SFAS No. 157 on its financial statements.

On September 13, 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a potential current year misstatement. Prior to SAB 108, companies might evaluate the materiality of financial-statement misstatements using either the income statement or balance sheet approach, with the income statement

approach focusing on new misstatements added in the current year, and the balance sheet approach focusing on the cumulative amount of misstatement present in a company's balance sheet. Misstatements that would be material under one approach could be viewed as immaterial under another approach, and not be corrected. SAB 108 now requires that companies view financial statement misstatements as material if they are material according to either the income statement or balance sheet approach. The Company has analyzed SAB 108 and determined that upon adoption it will have no impact on its financial statements.

In September 2006, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") in Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements. EITF 06-4 applies to life insurance arrangements that provide an employee with a specified benefit that is not limited to the employee's active service period, including certain bank-owned life insurance ("BOLI") policies. EITF 06-4 requires an employer to recognize a liability and related compensation costs for future benefits that extend to post retirement periods. EITF 06-4 is effective for fiscal years beginning after December 15, 2007, with earlier application permitted. The Company is continuing to evaluate the impact of this consensus, which may require it to recognize an additional liability and compensation expense related to its BOLI policies and deferred compensation arrangements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No.157. We are currently evaluating the potential impact, if any, of the adoption of FASB Statement No. 159 on our consolidated financial position or results of operations.

In March 2007, the FASB ratified EITF Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF 06-11 requires companies to recognize the income tax benefit realized from dividends or dividend equivalents that are charged to retained earnings and paid to employees for nonvested equity-classified employee share-based payment awards as an increase to additional paid-in capital. EITF 06-11 is effective for fiscal years beginning after September 15, 2007. The Company does not expect EITF 06-11 will have a material impact on its financial position, results of operations or cash flows.

Note 5: Legal Proceedings

FBD is from time to time party (plaintiff or defendant) to lawsuits in the normal course of business. While any litigation involves an element of uncertainty, management, after reviewing pending actions with legal counsel, is of the opinion that the liabilities of FBD, if any, resulting from such actions will not have a material effect on financial condition or results of operations.

Note 6: Segment Reporting

FBD's 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. FBD has four reportable segments: community banking; mezzanine financing ; consumer installment loans; and card products. The community banking segment is primarily comprised of the results of operations and financial condition of commercial loan and deposit operations. The mezzanine financing loans are made primarily for real estate projects with higher loan to value ratios than loans made by the bank and with relatively shorter terms (generally less than two years). Some of these loans are participated. FBD additionally offers national consumer products to the underbanked consumer including consumer installment loans. Consumer installment loans are loans with principal amounts of \$5,000 or less and terms of 120 days and greater. These loans typically are made in states that are outside of Delaware through a small number of marketers with rates and fees significantly different from other loan products offered. The majority of these installment loans and credit card receivables are sold in the secondary market. FBD also offers card products, which consist of prepaid and credit cards, on a national basis.

FBD evaluates the performance of the community banking segment based upon net income, return on equity and return on average assets. Mezzanine financing, consumer installment loans, and card products are evaluated based upon net income. Consumer installment loans and card products are provided to satisfy consumer demands while diversifying the earnings stream.

Segment information for the three and six months ended June 30, 2007 and 2006, is as follows:

As of and for the three months ended June 30, 2007

(dollars in thousands)

	First Bank of Delaware	Mezzanine Financing	Card Products	Consumer loans	Total
Net interest income	\$ 866	\$ 174	\$ 220	\$ 518	\$ 1,778
Provision for loan losses	18	-	-	-	18
Non-interest income	235	10	1,482	2,528	4,255
Non-interest expenses	743	150	985	1,292	3,170
Provision for income taxes	118	13	250	610	991
Net income	<u>\$ 222</u>	<u>\$ 21</u>	<u>\$ 467</u>	<u>\$ 1,144</u>	<u>\$ 1,854</u>

As of and for the six months ended June 30, 2007

(dollars in thousands)

	First Bank of Delaware	Mezzanine Financing	Card Products	Consumer loans	Total
Net interest income	\$ 1,816	\$ 301	\$ 415	\$ 991	\$ 3,523
Provision for loan losses	52	-	-	100	152
Non-interest income	409	65	2,613	4,152	7,239
Non-interest expenses	1,457	264	1,910	2,351	5,982
Provision for income taxes	244	36	388	930	1,598
Net income	<u>\$ 472</u>	<u>\$ 66</u>	<u>\$ 730</u>	<u>\$ 1,762</u>	<u>\$ 3,030</u>

Selected Balance Sheet Accounts at June 30, 2007:

Total assets	\$ 122,434	\$ 5,968	\$ 1,304	\$ 9,350	\$ 139,056
Total loans	62,477	5,931	641	4,814	73,863
Total deposits	80,006	-	15,805	8,037	103,848

As of and for the three months ended June 30, 2006

(dollars in thousands)

	Community Banking	Tax Refund Products	Card Products	Consumer loans	Total
Net interest income	\$ 771	\$ 42	\$ 65	\$ 873	\$ 1,751
Provision for loan losses	16	-	-	553	569
Non-interest income	76	179	414	624	1,293
Non-interest expenses	567	182	349	719	1,817
Provision for income taxes	96	14	47	82	239
Net income (loss)	<u>\$ 168</u>	<u>\$ 25</u>	<u>\$ 83</u>	<u>\$ 143</u>	<u>\$ 419</u>

As of and for the six months ended June 30, 2006

(dollars in thousands)

	Community Banking	Tax Refund Products	Card Products	Consumer loans	Total
Net interest income	\$ 1,473	\$ 226	\$ 115	\$ 1,376	\$ 3,190
Provision for loan losses	49	-	-	742	791
Non-interest income	125	2,142	685	1,423	4,375
Non-interest expenses	1,075	756	706	1,577	4,114
Provision for income taxes	166	564	33	168	931
Net income	<u>\$ 308</u>	<u>\$ 1,048</u>	<u>\$ 61</u>	<u>\$ 312</u>	<u>\$ 1,729</u>

Selected Balance Sheet Accounts at December 31, 2006:

Total assets	\$ 96,856	\$ -	\$ 19,249	\$ 7,808	\$ 123,913
Total loans	64,346	-	306	3,045	67,697
Total deposits	72,536	852	18,400	848	92,636

Note 7: 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. 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 June 30, 2007 there were 167,000 options which were antidilutive and therefore excluded from the calculation. At June 30, 2006, there were no stock options that were not included in the calculation of EPS because the option exercise price is greater than the average market price for the period.

The following table is a comparison of EPS for the three and six months ended June 30, 2007, and 2006.

	<u>2007</u>		<u>2006</u>	
	<u>Shares</u>	<u>Per Share</u>	<u>Shares</u>	<u>Per Share</u>
Net Income	\$1,854,000		\$419,000	
Weighted average shares				
For period	11,366,990		7,981,032	
Basic EPS		\$0.16		\$0.05
Add common stock equivalents representing dilutive stock options	<u>159,295</u>		<u>60,514</u>	
Effect on basic EPS of dilutive CSE		=		=
Equals total weighted average shares and CSE (diluted)	<u>11,526,285</u>		<u>8,041,546</u>	
Diluted EPS		<u>\$0.16</u>		<u>\$0.05</u>
	<u>2007</u>		<u>2006</u>	
	<u>Shares</u>	<u>Per Share</u>	<u>Shares</u>	<u>Per Share</u>
Net Income	\$3,030,000		\$1,729,000	
Weighted average shares				
For period	11,363,977		7,790,993	
Basic EPS		\$0.26		\$0.22
Add common stock equivalents representing dilutive stock options	<u>228,548</u>		<u>71,120</u>	
Effect on basic EPS of dilutive CSE		=		=
Equals total weighted average shares and CSE (diluted)	<u>11,592,525</u>		<u>7,862,113</u>	
Diluted EPS		<u>\$0.26</u>		<u>\$0.22</u>

Note 8: 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		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net income	\$ 1,854	\$ 419	\$ 3,030	\$ 1,729
Other comprehensive loss, net of tax:				
Unrealized losses on securities:				
Unrealized holding losses during the period	(110)	(10)	(117)	(16)
Comprehensive income	<u>\$ 1,744</u>	<u>\$ 409</u>	<u>\$ 2,913</u>	<u>\$ 1,713</u>

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 can arise with changes in: general economic conditions, including their impact on capital expenditures; new service and product offerings by competitors and price pressures; 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-KSB for the year ended December 31, 2006, Quarterly Reports on Form 10-QSB, filed by the Company in 2007 and 2006, and any current reports on Form 8-K, as well as other filings.

Recent Developments:

Tax Products

The Company decided to terminate the agreement with Liberty Tax Service (“LTS”) pursuant to which the Bank offers Bank products, which include refund anticipation loans (“RALs”) and electronic refund checks (“ERCs”), in stores owned or franchised by LTS. The decision to cease offering the products was necessitated because several large national banks are offering “Paystub Loans” which are loans made to taxpayers prior to receiving their W-2 from their employer. The Paystub Loan amounts are based on the customer’s final paycheck and the customer’s prospective earned income tax credit if the customer is participating in that program. The Bank believes that these loans are legally questionable and are too financially risky for the Bank, especially since most Paystub Loan customers receive their refunds through the Earned Income Tax Credit Program, and accordingly has decided that it is not comfortable offering these products.

This change had a material adverse impact on the Bank’s earnings in the first and second quarters of 2007. The tax program is a seasonal business with all of the earnings from the program being recognized in the first two quarters of each year. The Bank continues to transition its loan products to installment loans and other consumer loans which are more traditional loan products and to grow its credit and prepaid card programs.

Installment Loans

The bank ceased making short term installment loans in storefronts effective April 17, 2007. This change will have a material adverse effect on earnings.

Financial Condition:

June 30, 2007, compared to December 31, 2006

Total assets increased \$15.1 million to \$139.0 million at June 30, 2007, versus \$123.9 million at December 31, 2006. This increase reflected a \$6.2 million increase in fed funds sold which was funded primarily by higher deposits which increased \$11.2 million between those respective dates.

Loans:

The loan portfolio represents FBD's largest asset, and is its most significant source of interest income. Net loans, excluding loans held for sale, increased \$2.1 million, or 3.1%, to \$69.8 million at June 30, 2007, versus \$67.7 million at December 31, 2006. The loan portfolio consists of commercial real estate, construction and other commercial loans as well as consumer installment loans. Commercial real estate loans comprise the majority of the loan portfolio. Commercial real estate loans amounted to \$38.6 million at June 30, 2007 compared to \$42.5 million at December 31, 2006. Construction and land development loans amounted to \$23.1 million and \$18.1 million respectively, at those dates. At June 30, there were \$2.8 million in consumer loans outstanding versus \$4.5 million at December 31, 2006.

Loans held for sale amounted to \$4.1 million at June 30, 2007, which reflected a new program initiated in 2007.

Investment Securities:

Investment securities available-for-sale are investments, which 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 \$9.5 million at June 30, 2007, a decrease of \$195,000, or 2.0%, from year-end 2006. This decrease resulted primarily from repayments on mortgage-backed securities. At June 30, 2007, and December 31, 2006, the portfolio had net unrealized losses of \$105,000 and gains of \$73,000, 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 \$6.3 million, to \$45.1 million at June 30, 2007 from \$38.8 million at December 31, 2006. Federal funds sold increased by \$6.2 million, between those respective dates, to \$42.3 million at June 30, 2007.

Fixed Assets:

Bank premises and equipment, net of accumulated depreciation was \$2.6 million at June 30, 2007 and \$1.2 million at December 31, 2006, respectively. The increase reflected expenditures related to moving the operations center and office space for other personnel.

Bank Owned Life Insurance:

The income earned on these policies is reflected in non-interest income. Bank owned life insurance amounted to \$1.7 million at June 30, 2007 and December 31, 2006.

Deposits:

Deposits, which include non-interest and interest-bearing demand deposits, money market, savings and time deposits, represent the primary source for funding loans held on the balance sheet. 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 from our card product customers.

Total deposits increased by \$11.2 million to \$103.8 million at June 30, 2007, from \$92.6 million at December 31, 2006. Average transaction accounts in the current quarter increased 67.3% or \$26.4 million more than the comparable prior year quarter. A portion of that increase may be temporary. Time deposits decreased by \$5.0 million, or 11.2% to \$39.0 million at June 30, 2007, versus \$44.0 million at December 31, 2006.

Due to Consumer Loan Servicers and Purchasers

Amounts due to consumer loan servicers and purchasers totaled \$982,000 at June 30, 2007, a decrease of \$2.4 million from \$3.4 million at December 31, 2006. The decrease resulted primarily because of the decrease in the volume of short-term consumer loans which were sold to third parties. See "Managements Discussion and Analysis of Financial Condition and Results of Operations - Recent Developments."

Shareholders' Equity:

Total shareholders' equity increased \$2.9 million to \$28.8 million at June 30, 2007, versus \$25.9 million at December 31, 2006. This increase reflected net income of \$3.0 million.

Three Months Ended June 30, 2007 Compared to June 30, 2006

Results of Operations:

Overview

FBD's net income increased to \$1.8 million or \$0.16 per diluted share for the three months ended June 30, 2007, compared to \$419,000, or \$0.05 per diluted share for the comparable prior year period. The increase in net income exceeded the relative increase in earnings per share as a result of the common stock offering in June 2006 which added 3.3 million shares. Non-interest income increased \$3.0 million due to increases in consumer installment loan fees of \$1.5 million and card product fees of \$1.1 million. Salaries and benefits increased \$913,000 primarily reflecting increases related to the consumer installment loans and the card products. The impact of higher average loan balances was offset by the elimination of higher yielding short-term consumer loans, and higher funding costs in 2007. Accordingly, net interest income was comparable in both periods. These factors were reflected in a return on average assets and average equity of 5.18% and 26.37% respectively, in the second quarter of 2007 compared to 2.01% and 10.01% respectively for the same period in 2006.

Analysis of Net Interest Income

Historically, the FBD's 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.

Interest-earning assets: (Dollars in thousands)	For the three months ended June 30, 2007			For the three months ended June 30, 2006		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Federal funds sold and other interest- earning assets	\$ 45,172	\$ 597	5.30%	\$ 22,914	\$ 291	5.09%
Securities	9,920	149	6.01%	766	11	5.74%
Loans receivable	75,374	1,962	10.44%	51,962	1,862	14.37%
Total interest-earning assets	<u>130,466</u>	<u>2,708</u>	<u>8.33%</u>	<u>75,642</u>	<u>2,164</u>	<u>11.47%</u>
Other assets	<u>12,984</u>			<u>8,323</u>		
Total assets	<u>\$ 143,450</u>			<u>\$ 83,965</u>		
Interest-bearing liabilities:						
Demand-non interest bearing	\$ 35,014			\$ 18,352		
Demand interest-bearing	230	\$ 1	1.74%	52	\$ -	-
Money market & savings	30,336	350	4.63%	20,800	155	2.99%
Time deposits	42,294	572	5.42%	23,343	258	4.43%
Total deposits	<u>107,874</u>	<u>923</u>	<u>3.43%</u>	<u>62,547</u>	<u>413</u>	<u>2.65%</u>
Total interest-bearing deposits	<u>72,860</u>	<u>923</u>	<u>5.08%</u>	<u>44,195</u>	<u>413</u>	<u>3.75%</u>
Other borrowings	<u>337</u>	<u>7</u>	<u>8.33%</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest-bearing liabilities	<u>\$ 73,197</u>	<u>\$ 930</u>	<u>5.10%</u>	<u>\$ 44,195</u>	<u>\$ 413</u>	<u>3.75%</u>
Total deposits and other borrowings	<u>108,211</u>	<u>930</u>	<u>3.45%</u>	<u>62,547</u>	<u>413</u>	<u>2.65%</u>
Non interest-bearing liabilities	7,041			4,587		
Shareholders' equity	<u>28,198</u>			<u>16,831</u>		
Total liabilities and shareholders' equity	<u>\$ 143,450</u>			<u>\$ 83,965</u>		
Net interest income		<u>\$ 1,778</u>			<u>\$ 1,751</u>	
Net interest spread			<u>3.23%</u>			<u>7.72%</u>
Net interest margin			<u>5.47%</u>			<u>9.28%</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 during the period. Changes due to rate and volume variances have been allocated to rate.

Rate/Volume Table

	Three months ended June 30, 2007 versus June 2006 (dollars in thousands)		
	Due to change in:		
	Volume	Rate	Total
Interest earned on:			
Federal funds sold	\$ 294	\$ 12	\$ 306
Securities	138	-	138
Loans	609	(509)	100
Total interest-earning assets	1,041	(497)	544
Interest expense of			
deposits:			
Interest-bearing demand deposits	(1)	-	(1)
Money market and savings	(110)	(85)	(195)
Time deposits	(256)	(58)	(314)
Total deposit interest expense	(367)	(143)	(510)
Other borrowings	(7)	-	(7)
Total interest expense	(374)	(143)	(517)
Net interest income	\$ 667	\$ (640)	\$ 27

FBD's net interest margin decreased 381 basis points to 5.47%, for the three months ended June 30, 2007, versus the prior year comparable period. The majority of the decrease resulted from the elimination of higher yielding short-term consumer loans retained on the balance sheet in the prior year period. While higher amounts of consumer installment loans were retained in 2007, they carried a lower yield. Without the consumer loans, net interest margins would have been approximately 3.88% in second quarter 2007 and 4.95% in second quarter 2006. This lower margin reflected higher rates paid on deposit accounts. The average yield on interest-earning assets decreased 314 basis points to 8.33% for the three months ended June 30, 2007, from 11.47% for the prior year comparable period, reflecting the elimination of higher yielding short-term consumer loans. The average rate paid on interest-bearing liabilities increased 135 basis points to 5.10% for the three months ended June 30, 2007, from 3.75% in the prior year comparable period, as FBD repriced its deposits to the higher rate environment. Rates paid on total deposits increased 78 basis points, to 3.43% in second quarter 2007 from 2.65% in second quarter 2006, primarily for that reason.

FBD's net interest income increased \$27,000, or 1.5%, to \$1.8 million for the three months ended June 30, 2007, from \$1.8 million for the prior year comparable period. The increase reflected a \$544,000 growth in interest income resulting from higher average balances offset by a \$517,000 increase in interest expense, reflecting higher rates.

Total interest income increased \$544,000, or 25.1%, to \$2.7 million for the three months ended June 30, 2007, from \$2.2 million for the prior year comparable period. Interest and fees on loans increased \$100,000 to \$2.0 million for the three months ended June 30, 2007, from \$1.9 million for the prior year comparable period. The increases reflected those factors noted in the preceding paragraphs which discussed net interest margin and net interest income. Interest and dividends on investment securities increased \$138,000 to \$149,000 for the three months ended June 30, 2007, from \$11,000 for the prior year comparable period primarily reflecting increased average balances. Excess liquidity was generally invested in overnight federal funds sold. Federal funds sold income increased \$306,000, to \$597,000 in second quarter 2007, compared to \$291,000 in second quarter 2006. The increase reflected higher average short-term interest rates which increased the yield to 5.30% from 5.09% between those respective periods. Average balances between those respective periods also increased, and were invested at those higher average rates. In second quarter 2007, average federal funds sold increased \$22.3 million, to \$45.2 million in second quarter 2007, from \$22.9 million in second quarter 2006.

Total interest expense increased \$517,000, or 125.2%, to \$930,000 for the three months ended June 30, 2007, from \$413,000 for the prior year comparable period. That increase reflected the impact of higher short-term interest rates on interest-bearing liabilities which increased 135 basis points to 5.10% in second quarter 2007 from 3.75% in second quarter 2006. It also represented the expense associated with increased amounts of interest-bearing liabilities subject to those higher rates. Total interest-bearing liabilities increased \$29.0 million, or 65.6%, to \$73.2 million in second quarter 2007, from \$44.2 million in second quarter 2006.

Interest expense on money market and savings increased \$194,000, or 125.1% to \$350,000 for second quarter 2007 from \$155,000 for the prior year comparable period. The increase reflected an increase in balances of \$9.5 million to \$30.3 million from \$20.8 million and an increase in yield to 4.63% from 2.99%, resulting from the higher rate environment.

Interest expense on time deposits (certificates of deposit) increased \$314,000, or 121.7%, to \$572,000 for second quarter 2007, from \$258,000 for the prior year comparable period. This increase reflected the higher interest rate environment as the average rate increased 99 basis points to 5.42%. In addition, average certificates of deposit outstanding increased \$19.0 million, or 81.2%, to \$42.3 million, for the quarter ended June 30, 2007, from \$23.3 million in the prior year comparable period.

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 reflects the known and estimated inherent losses in the portfolio. The provision for loan losses decreased \$551,000 to \$18,000 for the three months ended June 30, 2007, from \$569,000 for the prior year comparable period. The decrease reflected a decrease in the provision for loan losses required by FBD's allowance for loan loss methodology for consumer installment loans as compared to short-term consumer loans. The decrease also reflected lower commercial loan growth.

Non-Interest Income

Total non-interest income increased \$3.0 million, or 229.1%, to \$4.3 million for the three months ended June 30, 2007, versus \$1.3 million for the prior year comparable period. Consumer loan fee income increased by \$1.5 million or 238.3% to \$2.1 million from \$624,000 due to the increased volume of consumer installment loans. Card product income increased \$1.1 million, or 258.8%, to \$1.5 million from the prior year comparable period amount of \$413,000 due to higher volumes of card accounts. Gain on sales of a new consumer installment loan product added \$417,000 to non-interest income.

Non-Interest Expenses

Total non-interest expenses increased \$1.4 million, or 74.5% to \$3.2 million for the three months ended June 30, 2007, from \$1.8 million for the prior year comparable period. Salaries and employee benefits increased \$913,000 or 82.3%, to \$2.0 million for the three months ended June 30, 2007, from \$1.1 million for the prior year comparable period. The increase primarily reflected higher staffing costs for new consumer loan, prepaid and credit card, and other loan products.

Occupancy expense increased \$59,000, or 60.8%, to \$156,000 for second quarter 2007, versus \$97,000 for second quarter 2006. The increase reflected increased space requirements primarily for staff related to consumer loan and card products.

Depreciation expense decreased \$22,000, or 28.2% to \$56,000 for the three months ended June 30, 2007, versus \$78,000 for the prior year comparable period. The decrease reflected retirements and write-offs of equipment in prior periods.

Legal fees increased \$195,000, or 557.1%, to \$230,000 in second quarter 2007, compared to \$35,000 in second quarter 2006. The increase reflected legal fees related to new product development which included consumer installment loans, prepaid and credit cards and other loan products.

Data processing expense decreased \$4,000, or 6.6%, to \$57,000 in second quarter 2007 from \$61,000 in second quarter 2006. The decrease reflected reduced data processing charges related to short term consumer installment loans.

Delaware franchise tax increased \$115,000, or 328.6%, to \$150,000 in second quarter 2007 from \$35,000 in second quarter 2006. The increase resulted primarily from increased taxable income.

Professional fees increased \$24,000, or 47.1% to \$75,000 in second quarter 2007, compared to \$51,000 in the comparable prior year period. The increase reflected consulting fees related to new product development in second quarter 2007.

Other expenses increased \$73,000, or 20.8% to \$424,000 for the three months ended June 30, 2007, from \$351,000 for the prior year comparable period. The increase reflected \$36,000 in expenses for credit card programs, a \$20,000 increase in business development expenses, \$16,000 in expenses for money transmitter services and a \$16,000 increase in telephone expense. These increases were partially offset by reductions in other areas.

Provision for Income Taxes

The provision for income taxes increased \$752,000, or 314.6% to \$991,000 for the three months ended June 30, 2007, from \$239,000 for the prior year comparable period. The increase was primarily the result of the increase in pre-tax income. The effective tax rate decreased to 35% in second quarter 2007 from 36% in second quarter 2006.

Six Months Ended June 30, 2007 Compared to June 30, 2006

Results of Operations:

Overview

FBD's net income increased to \$3.0 million or \$0.26 per diluted share for the six months ended June 30, 2007, compared to \$1.7 million, or \$0.22 per diluted share for the comparable prior year period reflecting higher card product income. The increase in net income exceeded the relative increase in earnings per share as a result of the common stock offering in June 2006 which added an additional 3.3 million shares. The increase in current year income reflected a \$2.2 million increase in consumer loan related non-interest income, which offset the loss of tax product income of \$2.1 million from the prior year period. Card product income increased by \$1.9 million from the prior year. These factors were reflected in a return on average assets and average equity of 4.33% and 22.27% respectively, in the six months ended 2007 compared to 3.51% and 21.37% respectively for the same period in 2006.

Analysis of Net Interest Income

Historically, the FBD's 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.

Interest-earning assets: (Dollars in thousands)	For the six months ended June 30, 2007			For the six months ended June 30, 2006		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Federal funds sold and other interest- earning assets	\$ 46,010	\$ 1,202	5.27%	\$ 32,793	\$ 765	4.70%
Securities	9,962	298	5.98%	778	22	5.66%
Loans receivable	73,562	3,842	10.53%	52,601	3,272	12.54%
Total interest-earning assets	129,534	5,342	8.32%	86,172	4,059	9.50%
Other assets	11,613			13,217		
Total assets	<u>\$ 141,147</u>			<u>\$ 99,389</u>		
Interest-bearing liabilities:						
Demand-non interest bearing	\$ 34,680			\$ 27,880		
Demand interest-bearing	253	\$ 1	0.79%	42	\$ -	0.00%
Money market & savings	28,234	642	4.59%	21,151	316	3.01%
Time deposits	43,651	1,169	5.40%	26,027	553	4.28%
Total deposits	106,818	1,812	3.42%	75,100	869	2.33%
Total interest-bearing deposits	72,138	1,812	5.07%	47,220	869	3.71%
Other borrowings	169	7	8.35%	-	-	-
Total interest-bearing liabilities	<u>\$ 72,307</u>	<u>\$ 1,819</u>	<u>5.07%</u>	<u>\$ 47,220</u>	<u>\$ 869</u>	<u>3.71%</u>
Total deposits and other borrowings	106,987	1,819	3.43%	75,100	869	2.33%
Non interest-bearing liabilites	6,723			8,163		
Shareholders' equity	27,437			16,126		
Total liabilities and shareholders' equity	<u>\$ 141,147</u>			<u>\$ 99,389</u>		
Net interest income		<u>\$ 3,523</u>			<u>\$ 3,190</u>	
Net interest spread			<u>3.25%</u>			<u>5.79%</u>
Net interest margin			<u>5.48%</u>			<u>7.47%</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 during the period. Changes due to rate and volume variances have been allocated to rate.

Rate/Volume Table

	Six months ended June 30, 2007 versus June 2006 (dollars in thousands)		
	Due to change in:		
	<u>Volume</u>	<u>Rate</u>	<u>Total</u>
Interest earned on:			
Federal funds sold	\$ 345	\$ 92	\$ 437
Securities	275	1	276
Loans	1,093	(523)	570
Total interest-earning assets	1,713	(430)	1,283
Interest expense of			
deposits:			
Interest-bearing demand deposits	(1)	-	(1)
Money market and savings	(161)	(165)	(326)
Time deposits	(472)	(144)	(616)
Total deposit interest expense	(634)	(309)	(943)
Other borrowings	(7)	-	(7)
Total interest expense	(641)	(309)	(950)
Net interest income	\$ 1,072	\$ (739)	\$ 333

FBD's net interest margin decreased 199 basis points to 5.48% for the six months ended June 30, 2007, versus the prior year comparable period. The majority of the decrease resulted from the elimination of higher yielding short-term consumer loans retained on the balance sheet. While a greater amount of consumer installment loans were retained in 2007, they carried a lower yield. Without the consumer loans, net interest margins would have been approximately 3.95% for year to date 2007 and 4.50% for year to date 2006. The resulting decrease was primarily the result of higher rates paid on deposit products. Because of the elimination of higher yielding short-term consumer loans, the average yield on interest-earning assets decreased 118 basis points to 8.32% for the year to date June 30, 2007, from 9.50% for the prior year comparable period. The average rate paid on interest-bearing liabilities increased 136 basis points to 5.07% for the six months ended June 30, 2007, from 3.71% in the prior year comparable period, as FBD repriced its deposits to the higher rate environment. Rates paid on deposits increased 109 basis points, to 3.42% in year to date 2007 from 2.33% in year to date 2006, also reflecting the higher rate environment.

FBD's net interest income increased \$333,000, or 10.4%, to \$3.5 million for the six months ended June 30, 2007, from \$3.2 million for the prior year comparable period, as the impact of higher average loan balances more than offset lower loan yields and higher interest costs.

Total interest income increased \$1.3 million, or 31.6%, to \$5.3 million for the six months ended June 30, 2007, from \$4.1 million for the prior year comparable period. Interest and fees on loans increased \$570,000 to \$3.8 million for the six months ended June 30, 2007, from \$3.3 million for the prior year comparable period. While interest on commercial loans increased \$510,000 reflecting increased volume, interest on

short term loans decreased \$551,000 reflecting the lower rates on consumer installment loans. Interest and dividends on investment securities increased \$276,000 to \$298,000 for the six months ended June 30, 2007, from \$22,000 for the prior year comparable period. The increase was primarily due to the increase in average balances held. Federal funds sold income increased \$437,000, or 57.1%, to \$1.2 million in year to date 2007, compared to \$765,000 in year to date 2006. The increase reflected higher average short-term interest rates which increased the yield to 5.27% from 4.70% between those respective periods. Average balances between those respective periods also increased, and were invested at those higher average rates. In year to date 2007, average federal funds sold increased \$13.2 million, to \$46.0 million from \$32.8 million in year to date 2006.

Total interest expense increased \$950,000, or 109.3%, to \$1.8 million for the six months ended June 30, 2007, from \$869,000 for the prior year comparable period. That increase reflected the impact of higher short-term interest rates on the yield of interest-bearing liabilities which increased 136 basis points to 5.07% in year to date 2007 from 3.71% in year to date 2006. It also represented the expense associated with increased amounts of interest-bearing liabilities subject to those higher rates. Total interest-bearing liabilities increased \$25.1 million, or 53.1%, to \$72.3 million for year to date 2007, from \$47.2 million for year to date 2006.

Interest expense on time deposits (certificates of deposit) increased \$616,000, or 111.4%, to \$1.2 million for year to date 2007, from \$553,000 for the prior year comparable period. This increase reflected the higher interest rate environment as the average rate increased 112 basis points to 5.40%. In addition, average certificates of deposit outstanding increased \$17.6 million, or 67.7%, to \$43.6 million, for the six months ended June 30, 2007, from \$26.0 million in the prior year comparable period.

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 reflects the known and estimated inherent losses in the portfolio. The provision for loan losses decreased \$639,000 to \$152,000 for the six months ended June 30, 2007, from \$791,000 for the prior year comparable period. The decrease reflected a decrease in the provision for loan losses required by FBD's allowance for loan loss methodology for installment loans, as compared to short term loans. The decreases also reflected lower commercial loan growth.

Non-Interest Income

Total non-interest income increased \$2.8 million to \$7.2 million for the six months ended June 30, 2007, versus \$4.4 million for the prior year comparable period. Of the \$2.8 million increase, \$2.2 million resulted primarily from increased fee income on a higher volume of consumer installment loans. Credit and prepaid card product income increased by \$1.9 million from the prior year comparable period. Gain on sales of a new consumer installment loan product added \$559,000 to non-interest income in 2007. The increases were partially offset by the \$2.1 million decline in tax product revenue, reflecting the decision to exit the tax refund program.

Non-Interest Expenses

Total non-interest expenses increased \$1.9 million or 45.4% to \$6.0 million for the six months ended June 30, 2007, from \$4.1 million for the prior year comparable period. Salaries and employee benefits increased \$1.5 million, or 61.4%, to \$3.9 million for the six months ended June 30, 2007, from \$2.4 million for the prior year comparable period. The increase primarily reflected higher staffing costs for new installment loan, prepaid and credit cards and other loan products.

Occupancy expense increased \$66,000, or 35.1%, to \$254,000 for year to date 2007, versus \$188,000 for year to date 2006. The increase reflected increased space requirements primarily for staff related to new consumer loan and card products.

Depreciation expense decreased \$53,000, or 33.80% to \$104,000 for year to date 2007, versus \$157,000 for the prior year comparable period. The \$53,000 decrease reflected write-offs and retirements in prior periods.

Legal fees increased \$187,000, or 176.4%, to \$293,000 in year to date 2007, compared to \$106,000 in year to date 2006. The majority of the increase resulted from legal fees related to the installment loan and card programs.

Data processing expense decreased \$13,000, or 9.4%, to \$125,000 in year to date 2007 from \$138,000 in year to date 2006. The decrease reflected reduced data processing charges related to short-term consumer loans.

Delaware franchise tax increased \$103,000, or 73.6%, to \$243,000 in year to date 2007 from \$140,000 in year to date 2006. The increase resulted primarily from higher taxable income related to the growth of the installment loan and card products.

Other expenses increased \$85,000, or 10.4% to \$902,000 for the six months ended June 30, 2007, from \$817,000 for the prior year comparable period. Of that increase, \$61,000 reflected expenses related to the credit card program. Audit and accounting expenses increased \$26,000 from the prior year comparable period.

Provision for Income Taxes

The provision for income taxes increased \$667,000, to \$1.6 million for the six months ended June 30, 2007, from \$931,000 for the prior year comparable period. This increase was primarily the result of the increase in pre-tax income. The effective tax rate was approximately 35% in both periods.

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 \$17.2 million at June 30, 2007. 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 \$17.0 million and \$18.9 million and standby letters of credit of approximately \$192,000 and \$323,000 at June 30, 2007, and December 31, 2006, respectively. No liability is currently recorded for these commitments.

At June 30, 2007 unused credit card lines amounted to \$122.8 million for which the resulting outstanding balances are sold after funding. Therefore such amounts are not indicative of actual future

liquidity requirements. FBD has the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary or desirable.

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 June 30, 2007, and December 31, 2006:

	Actual		For Capital Adequacy purposes	
	Amount	Ratio	Amount	Ratio
Dollars in thousands				
At June 30, 2007				
Total risk based capital				
First Bank of Delaware	\$30,159	29.86 %	\$8,080	8.00%
Tier one risk based capital				
First Bank of Delaware	28,887	28.60%	4,040	4.00%
Tier one leveraged capital				
First Bank of Delaware	28,887	20.14%	7,171	5.00%
	Actual		For Capital	
	Amount	Ratio	Adequacy purposes	Ratio
At December 31, 2006				
Total risk based capital				
First Bank of Delaware	\$26,925	30.33%	\$7,101	8.00%
Tier one risk based capital				
First Bank of Delaware	25,806	29.07%	3,551	4.00%
Tier one leveraged capital				
First Bank of Delaware	25,806	21.06%	6,126	5.00%

Dividend Policy

FBD has not paid any cash dividends on its common stock, but may consider dividend payments in the future.

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 requires FBD to maintain certain liquidity ratios to maintain available funds, or can obtain available funds at reasonable rates, in order to satisfy commitments to borrowers and the demands of depositors. In response to these requirements, FBD has formed an Asset/Liability Committee ("ALCO"), comprised of selected members of the FBD board of directors and senior management, which monitor such ratios. The purpose of the Committees is in part, to monitor FBD's liquidity and adherence to the ratios in addition to managing the relative interest rate risk. ALCO meets at least quarterly.

FBD's most liquid assets, consisting of cash due from banks, deposits with banks and federal funds sold, totaled \$45.1 million at June 30, 2007, compared to \$38.8 million at December 31, 2006, due primarily to an increase in federal funds sold. 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 June 30, 2007, FBD had aggregate outstanding commitments (including unused lines of credit and letters of credit) of \$17.2 million. Certificates of deposit scheduled to mature in one year totaled \$38.9 million at June 30, 2007. FBD anticipates that it will have sufficient funds available to meet its current commitments.

At June 30, 2007 unused credit card lines amounted to \$122.8 million for which the resulting outstanding balances are sold after funding. Therefore such amounts are not indicative of actual future liquidity requirements. FBD has the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary or desirable.

Target and actual liquidity levels are determined by comparisons of the estimated repayment and marketability of interest-earning assets and projected future outflows of deposits and other liabilities. FBD has established a line of credit from a correspondent bank to assist in managing the liquidity position. That line of credit totaled \$4.0 million and was unused at June 30, 2007. Securities also represent a primary source of liquidity for FBD. Accordingly, investment decisions generally reflect liquidity over other considerations.

FBD's primary short-term funding sources are certificates of deposit and its securities portfolio. The circumstances that are reasonably likely to affect those sources are as follows. FBD has historically been able to generate certificates of deposit by matching 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.

Investment Securities Portfolio

At June 30, 2007, FBD had identified certain investment securities that are being held for indefinite periods of time, including securities that will be used as part of FBD's 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 FBD's asset/liability management. Available for sale securities consisted primarily of US Government Agency securities. The book and market values of investment securities available for sale were approximately \$9.6 million and \$9.5 million, respectively, as of June 30, 2007. The net unrealized loss on investment securities available for sale as of that date was \$105,000.

Loan Portfolio

FBD's 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 and residential construction loans as well as residential mortgages, home equity loans, short-term consumer credit card 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. FBD's commercial loans typically range between \$250,000 and \$1,000,000 but customers may borrow significantly larger amounts up to the secured legal lending limit of approximately \$6.5 million at June 30, 2007. Individual customers may have several loans often secured by different collateral.

Net loans increased \$2.1 million, to \$69.8 million at June 30, 2007, from \$67.7 million at December 31, 2006. Commercial real estate secured and construction loans increased \$1.1 million between those dates.

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

(dollars in thousands)	As of June 30, 2007		As of December 31, 2006	
	Balance	% of Total	Balance	% of Total
Commercial:				
Real estate secured	\$ 38,615	53.8	\$ 42,545	61.2
Construction and land development	23,105	32.2	18,066	26.0
Non real estate secured	6,348	8.8	4,330	6.2
Unsecured	950	1.3	80	0.1
	<u>69,018</u>	<u>96.1</u>	<u>65,021</u>	<u>93.5</u>
Consumer	<u>2,764</u>	<u>3.9</u>	<u>4,536</u>	<u>6.5</u>
Total loans	<u>71,782</u>	<u>100.0%</u>	<u>69,557</u>	<u>100.0%</u>
Less: allowance for loan losses	<u>(2,013)</u>		<u>(1,860)</u>	
Net loans	<u>\$ 69,769</u>		<u>\$ 67,697</u>	

Credit Quality

FBD's 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 the 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.

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.

	June 30, 2007	December 31, 2006
(dollars in thousands)		
Loans accruing, but past due 90 days or more	\$ 8	\$ -
Non-accrual loans	425	31
Total non-performing loans (1)	433	31
Other real estate owned	18	31
Total non-performing assets (2)	<u>\$ 451</u>	<u>\$62</u>
Non-performing loans as a percentage of total loans net of unearned income	0.57%	0.04%
Non-performing assets as a percentage of total assets	0.32%	0.05%

- (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 accrual-loans of \$425,000 at June 30, 2007 increased from the \$31,000 at December 31, 2006, primarily the result of the transfer of two SBA loans to non-accrual status in the period. There were \$8,000 in loans accruing, but past due 90 days or more at June 30, 2007.

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 June 30, 2007, all identified problem loans are included in the preceding table or are classified as substandard or doubtful, 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.

The recorded investment in loans which are impaired totaled \$433,000 at June 30, 2007 and \$31,000 at December 31, 2006, and the amount of related valuation allowances was \$109,000 and \$15,000 respectively of those dates. There were no commitments to extend credit to any borrowers with impaired loans as of the end of the periods presented herein.

At June 30, 2007, and December 31, 2006, internally classified accruing substandard loans totaled approximately \$0 and \$0 million respectively; and doubtful loans totaled approximately \$30,000 and \$0 respectively. There were no loans classified as loss at those dates.

FBD had delinquent loans as follows: (i) 30 to 59 days past due, in the aggregate principal amount of \$2.7 million at June 30, 2007 and \$0 at December 31, 2006; and (ii) 60 to 89 days past due, at June 30, 2007 and December 31, 2006, in the aggregate principal amount of \$323,000 and \$0, respectively.

At June 30, 2007, FBD had no foreign loans.

Other Real Estate Owned:

There were two properties totaling \$31,000 held in other real estate owned at December 31, 2006. One property was sold in May 2007 leaving a remaining property of \$18,000 at June 30, 2007. Other real estate owned is included in other assets on the balance sheets.

At June 30, 2007, FBD had no credit exposure to "highly leveraged transactions" as defined by the Federal Reserve Bank.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the six months ended June 30, 2007 and 2006, and the twelve months ended December 31, 2006 is as follows:

(dollars in thousands)	For the six months ended June 30, 2007	For the twelve months ended December 31, 2006	For the six months ended June 30, 2006
Balance at beginning of period.....	\$ 1,860	\$1,684	\$ 1,684
Charge-offs:			
Commercial and construction.....	1	-	23
Short-term loans.....	-	804	804
Consumer	35	88	-
Total charge-offs	36	892	827
Recoveries:			
Commercial and construction.....	2	0	19
Short-term loans.....	-	33	33
Consumer.....	35	87	-
Total recoveries.....	37	120	52
Net charge-offs.....	(1)	772	775
Provision for loan losses.....	152	948	791
Balance at end of period.....	\$2,013	\$1,860	\$1,700
Average loans outstanding (1).....	\$73,562	\$60,595	\$52,601
As a percent of average loans (1):			
Net charge-offs (annualized)	0.00%	1.27%	2.94%
Provision for loan losses (annualized).....	0.41%	1.56%	3.00%
Allowance for loan losses.....	2.73%	3.07%	3.23%
Allowance for loan losses to:			
Total loans, net of unearned income at period end	2.65%	2.67%	3.13%
Total non-performing loans at period end.....	464.89%	6,000.0%	2,615.38%

(1) Includes non-accruing loans.

Management makes at least a quarterly determination as to an appropriate provision from earnings to maintain an allowance for loan losses that is management's best estimate of known and inherent losses. The Board of Directors periodically reviews the status of all non-accrual and impaired loans and loans classified by regulators or 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.

FBD has an existing loan review program, which monitors the loan portfolio on an ongoing basis. Loan review is conducted by a loan review officer who reports quarterly, directly to the Board of Directors.

Estimating the appropriate level of the allowance for loan losses at any given date is difficult, particularly in a continually changing economy. In management's opinion, the allowance for loan losses

was appropriate at June 30, 2007. 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.

FBD management is unable 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 June 30, 2007, loans made for commercial and construction, and consumer purposes, respectively, amounted to \$69.0 million and \$6.9 million (at that date there were \$4.1 million of installment loans held for sale and \$2.8 million of installment loans).

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. As discussed previously, management attempts to maintain an essentially 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 wide interest rate fluctuations.

ITEM 3: CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and 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 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 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 June 30, 2007 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

None

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

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of First Bank of Delaware, to take action upon the election of two directors of the Company was held on April 17, 2007 at 4:00 pm at 5301 Limestone Road, suite 106 Wilmington, DE 19803. Written notice of said meeting, according to law, was mailed to each shareholder of record entitled to receive notice of said meeting, 30 days prior thereto. As of the record date of said meeting of the shareholders, the number of shares then issued and outstanding was 11,362,159 shares of common stock, of which 11,348,307 were entitled to vote. A total of 10,875,601 shares were voted. No nominee received less than 99.7 % of the voted shares. Therefore, pursuant to such approval, the following directors were elected to the Company:

Steven J. Shotz	3 year term	expires 2010
Harris Wildstein	3 year term	expires 2010

Existing Directors:

Harry D. Madonna	3 year term	expires 2008
William W. Batoff	3 year term	expires 2009
Alonzo J. Primus	3 year term	expires 2009

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 under Section 302 of the Sarbanes-Oxley Act |
| 31.2 | Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act |
| 32.1 | Certification of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act |
| 32.2 | Certification of the 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

Harry D. Madonna
Chairman and Chief Executive Officer

Paul Frenkiel
Executive Vice President and Chief Financial Officer

Dated: August 13, 2007

CERTIFICATION

I, Harry D. Madonna, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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) 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
 - (c) 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 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 officer 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 :
 - (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: August 13, 2007

Harry D. Madonna
Chairman and Chief Executive Officer

CERTIFICATION

I, Paul Frenkiel, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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) 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
 - (c) 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 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 :
 - (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: August 13, 2007

Paul Frenkiel
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-QSB for the quarter ended June 30, 2006, as filed with the Federal Deposit Insurance Corporation by First Bank of Delaware ("FBD") on the date hereof (the "Report"), I, Harry D. Madonna, Chief Executive Officer of FBD, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the FBD.

Date: August 13, 2007

By: _____
Harry D. Madonna
Chairman and
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-QSB for the quarter ended June 30, 2007, as filed with the Federal Deposit Insurance Corporation by First Bank of Delaware ("FBD") on the date hereof (the "Report"), I, Paul Frenkiel, Chief Financial Officer of FBD, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of FBD.

Date: August 13, 2007

By: _____
Paul Frenkiel,
Executive Vice President and
Chief Financial Officer