FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20429

FORM 10-Q

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

For the Quarterly Period Ended: **June 30, 2009**

FDIC certificate number: **34929**

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

Delaware	**51-0389698**
(State or other jurisdiction of incorporation or organization)	IRS Employer Identification Number

Brandywine Commons II, Rocky Run Parkway, Wilmington, DE 19803
(Address of principal executive offices) (Zip code)

302-529-5984
(Issuer's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES __X__ NO ____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(S232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) YES ___ NO ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer___ Accelerated filer___
Non-accelerated filer___ Smaller reporting company__X_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES ____ NO __X__

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

11,418,901 shares of Issuer's Common Stock, par value
$0.05 per share, issued and outstanding as of August 11, 2009

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PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

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First Bank of Delaware
Consolidated Balance Sheets
As of June 30, 2009 and December 31, 2008
(Dollars in thousands, except per share data)
(unaudited)

ASSETS:	June 30, 2009	December 31, 2008
Cash and due from banks	$ 4,116	$ 5,070
Interest bearing deposits with banks	936	509
Federal funds sold	19,801	3,974
Total cash and cash equivalents	24,853	9,553
Investment securities available for sale, at fair value	17,011	22,631
Restricted stocks, at cost	475	139
Loans receivable (net of allowance for loan losses of $3,234 and $2,935, respectively)	67,513	71,307
Premises and equipment, net	2,895	3,430
Other real estate owned	1,127	293
Accrued interest receivable	286	248
Bank owned life insurance	1,837	1,817
Other assets	5,422	6,784
Total Assets	$ 121,419	$ 116,202
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Demand – non-interest-bearing	$ 20,477	$ 35,984
Demand – interest-bearing	728	90
Money market and savings	30,798	23,781
Time under $100,000	12,797	11,627
Time $100,000 or more	12,559	808
Total Deposits	77,359	72,290
Accrued interest payable	262	175
Accrued expenses	1,806	2,620
Other liabilities	1,394	1,624
Total Liabilities	80,821	76,709
Shareholders' Equity:		
Common stock par value: $0.05; shares authorized: 15,000,000		
Shares issued and outstanding at June 30, 2009: 11,418,901		
Shares issued and outstanding at December 31, 2008: 11,401,301	571	570
Additional paid in capital	13,430	13,371
Retained earnings	26,360	25,659
Stock held by deferred compensation plan	-	(384)
Accumulated other comprehensive income	237	277
Total Shareholders' Equity	40,598	39,493
Total Liabilities and Shareholders' Equity	$ 121,419	$ 116,202

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Income
For the Three and Six Months Ended June 30, 2009 and 2008
(Dollars in thousands, except per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Interest income:				
Interest and fees on loans	$2,104	$2,618	$4,234	$5,430
Interest and dividend income on federal funds sold and other interest-earning balances	8	83	15	216
Interest and dividends on investment securities	182	197	399	419
Total interest income	2,294	2,898	4,648	6,065
Interest expense:				
Demand - interest bearing	3	1	4	2
Money market and savings	114	144	181	371
Time less than $100,000	102	69	203	175
Time over $100,000	14	74	20	177
Other borrowed funds	-	-	2	-
Total interest expense	233	288	410	725
Net interest income	2,061	2,610	4,238	5,340
Provision for loan losses	1,550	1,250	2,275	2,050
Net interest income after provision for loan losses	511	1,360	1,963	3,290
Non-interest income:				
Loan advisory and servicing fees	17	19	22	53
Service fees on deposit accounts	93	148	176	256
Net gain on sales of loans	-	239	-	398
Consumer loan fee income	476	1,403	946	3,208
Credit and prepaid card products	1,809	3,026	3,966	5,890
Bank owned life isurance	8	16	20	32
Other income	85	195	105	374
Total non-interest income	2,488	5,046	5,235	10,211
Non-interest expenses:				
Salaries and employee benefits	1,662	2,028	3,803	4,253
Occupancy	161	140	332	283
Depreciation	112	103	222	211
Legal	32	83	98	179
Professional fees	48	252	279	339
Data processing and operational expense	107	132	252	261
Credit card program marketing expense	-	596	-	596
Credit card program processing expense	57	420	180	537
FDIC Assessment	63	16	86	29
Delaware franchise tax	2	112	38	298
Other operating expenses	391	388	844	843
Total non-interest expense	2,635	4,270	6,134	7,829
Income before income taxes	364	2,136	1,064	5,672
Provision for income taxes	127	772	363	2,034
Net Income	$237	$1,364	$701	$3,638
Earnings per share:				
Basic	$0.02	$0.12	$0.06	$0.32
Diluted	$0.02	$0.12	$0.06	$0.32

(See notes to unaudited consolidated financial statements)

FIRST BANK OF DELAWARE
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended June 30, 2009 and 2008
(Dollars in thousands)
(Unaudited)

	Comprehensive Income	Common Stock	Additional Paid in Capital	Retained Earnings	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance January 1, 2009		$ 570	$ 13,371	$ 25,659	$ (384)	$ 277	$ 39,493
Options exercised (17,600 shares)		1	13	–		–	14
Share Based Compensation		–	46	–	–	–	46
Deferred compensation stock distributions					384		384
Total other comprehensive loss, net of taxes of $27	$ (40)	–	–	–	–	(40)	(40)
Net income	701	–	–	701	–	–	701
Total comprehensive income	$ 661	–	–	–	–	–	–
Balance June 30, 2009		$ 571	$ 13,430	$ 26,360	$ -	$ 237	$ 40,598

	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, 2008		$ 569	$ 13,284	$ 20,604	$ (384)	$ 87	$ 34,160
Options exercised (14,850 shares)		1	20	–		–	21
Share Based Compensation		–	41	–	–	–	41
Total other comprehensive loss, net of taxes of $19	$ (36)	–	–	–	–	(36)	(36)
Net income	3,638	–	–	3,638	–	–	3,638
Total comprehensive income	$ 3,602	–	–	–	–	–	–
Balance June 30, 2008		$ 570	$ 13,345	$ 24,242	$ (384)	$ 51	$ 37,824

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2009 and 2008
(Dollars in thousands)
(unaudited)

	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash flows from operating activities:		
Net income	$ 701	$ 3,638
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,275	2,050
Stock compensation expense	46	41
Deferred compensation stock distribution	384	-
Depreciation	222	211
Net gain on sale of loans	-	(398)
Increase in value of bank owned life insurance	(20)	(32)
Decrease in accrued interest receivable and other assets	1,351	60
Decrease in due to consumer loan servicers and purchasers	-	(84)
(Decrease) increase in accrued interest payable, accrued expenses and other liabilities	(957)	814
Net cash provided by operating activities	4,002	6,300
Cash flows from investing activities:		
Purchase of securities:		
Available for sale	-	-
FHLB Stock purchase	(336)	(42)
Proceeds from principal receipts, calls and maturities of securities:		
Available for sale	5,553	8,955
Gross loans originated for sale	-	(32,980)
Proceeds from sales of loans	-	32,969
Net decrease in loans	685	3,455
Purchases of premises and equipment	(104)	(188)
Proceeds from sales of premises and equipment	417	-
Net cash provided by investing activities	6,215	12,169
Cash flows from financing activities:		
Net proceeds from the exercise of stock options	14	21
Net (decrease) increase in demand, money market and savings deposits	(7,852)	8,613
Net increase (decrease) in time deposits	12,921	(7,965)
Net cash provided by financing activities	5,083	669
Increase in cash and cash equivalents	15,300	19,138
Cash and cash equivalents, beginning of period	9,553	15,992
Cash and cash equivalents, end of period	$ 24,853	$ 35,130
Supplemental disclosure:		
Interest paid	$ 323	$ 854
Taxes paid	$ 800	$ 2,200
Non-monetary transfers into OREO	$ 834	$ 293

(See notes to unaudited consolidated financial statements)

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

Note 1: Organization

First Bank of Delaware, referred to as "we," "FBD," the "Bank" or the "Company," is a commercial bank chartered pursuant to the laws of the State of Delaware, which commenced operations in June 1999. Our principal office is located at Brandywine Commons II, 1000 Rocky Run Parkway, Wilmington, Delaware, and our telephone number is (302) 529-5984. As a Delaware chartered bank, we are subject to the regulation and examination of the Office of the State Bank Commissioner of the State of Delaware. As a state chartered bank which is not a member of the Federal Reserve System, we are also subject to examination and comprehensive regulation by the Federal Deposit Insurance Corporation ("FDIC"). The deposits which are held by us are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. We operate a traditional community banking business, as well as a consumer products division from which we derive a majority of our net income. We have also engaged in mezzanine financing, but discontinued those operations during 2008.

We presently conduct our principal community banking activities through our two offices in Wilmington, Delaware. We offer a variety of credit and depository banking services. Our commercial loan services are primarily offered to individuals and businesses in the Delaware area through two offices in New Castle County, Delaware.

Our consumer products division is comprised of two business segments, consumer loans and card products. We make consumer installment loans nationally via the Internet and telephone. Credit and prepaid card products are similarly offered nationally. The majority of loan balances and credit card receivables resulting from these products are sold without recourse. From the time we introduced our consumer products until 2008, we primarily relied on third parties to market and service these loans and cards. As a result of a consent order which we entered into with the FDIC in October 2008, we have reduced our reliance on third parties and made significant changes in our consumer products division. We have terminated most of the third party relationships through which such loans and cards were marketed and serviced, and have begun offering these products directly with assistance from professional marketers.

Our consumer products division offers consumer loans and card products primarily to customers with special credit needs who have been underserved by traditional lending institutions. We have previously described the business segments and customers of our consumer products division as "subprime". While a typical customer of our consumer products division may have a weakened credit history or reduced repayment capacity, there is no universally accepted definition of "subprime" and we believe that the use of the term creates confusion with the subprime mortgage crisis that began in 2007. We have not made subprime mortgage loans, either through our consumer products division or our community banking business. Accordingly, we are discontinuing our use of the term "subprime". This change, however, should not be interpreted as reflecting any change in credit characteristics of our customers, or the business of our national consumer products division.

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

FBD is subject to regulations of certain state and federal agencies. These regulatory agencies periodically examine FBD for adherence to laws and regulations. This regulatory framework contributes to our cost of doing business, and any changes in applicable laws or regulations, or the results of any examination could result in additional cost or otherwise adversely effect our operations

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-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

Risks and Uncertainties and Certain Significant Estimates:

Our business is subject to various risks including the following:

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

Interest rate risk has been maintained at relatively modest levels. The commercial loan portfolio is comprised primarily of either variable rate loans or of fixed rate loans which generally have repricing periods of five years or less. Consumer loans generally have terms of two years or less. Only modest amounts of long term mortgage backed securities (approximately $7.0 million), are owned, further limiting interest rate risk. While there is higher prepayment risk on these longer term securities, the amount is limited to the $7.0 million of mortgage backed securities owned.

The primary marketer for our credit cards generated credit card products which resulted in revenues greater than 10% of total revenues. In second quarter 2009, revenues totaled $1.4 million, which represented 29.0% of total revenues of $4.8 million. In second quarter 2008, that company marketed credit cards which generated $1.1 million, which represented 13.7% of total revenues of $7.9 million. In the first six months of 2009 revenues totaled $2.8 million or 28.2% of total revenues of $9.9 million compared to $3.0 million or 18.5% of revenues totaling $16.2 million in 2008. That marketer is currently the Bank's sole credit card marketer.

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

We generate substantial fee income after we sell or participate loans and credit card balances at par to various purchasers, based on the amounts of such balances or on the number of accounts outstanding. Should purchasers be unable to acquire funding, sales might be curtailed or eliminated with a material reduction in income.

On October 9, 2008, the Bank entered into a cease and desist stipulation and consent order with the Bank's primary federal regulator, the Federal Deposit Insurance Corporation ("FDIC") as discussed in our Annual Report on Form 10-K for the year ended December 31, 2008 and in Part II, Item 1 of this report.

As of the date of this report, we are in discussions with Visa and certain third parties with whom we have a relationship relative to our card products, relating to an account compromise event involving a third party merchant acquirer. As a member of Visa, we may be responsible for amounts relating to this event. We have received a notice from Visa in accordance with its interpretation of its operating regulations setting forth an initial estimate of incremental fraud losses and penalties. The amount, if any, to be assessed against us has not been fully determined. If such an assessment is made against us, we would seek reimbursement from third parties.

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

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

Restricted stock, which represents required investment in the common stock of correspondent banks, is carried at cost and as of June 30, 2009 and December 31, 2008, consists of the common stock of the FHLB of Pittsburgh and Atlantic Central Bankers Bank. In December 2008, the FHLB of Pittsburgh notified member banks that it was suspending dividend payments and the repurchase of capital stock.

Management evaluates the restricted stock for impairment in accordance with Statement of Positions (SOP) 01-6, *Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others*. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB.

Management believes no impairment charge is necessary related to the restricted stock as of June 30, 2009.

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.

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

We are subject to federal and state regulations governing virtually all aspects of our activities, including, but not limited to, lines of business, liquidity, investments, the payment of dividends and others. Such regulations and the cost of adherence to such regulations can have a significant impact on earnings and financial conditions. Recent legislation, including the Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009, and proposals for new legislation, including the U.S. Department of Treasury's *Financial Regulatory Reform*, which includes a proposal for the creation of a "Consumer Financial Protection Agency", could significantly alter the regulatory framework on which we operate, and reduce the profitability of products we currently offer or which we plan to offer.

Stock Based Compensation:

The Company maintains a Stock Option Plan and Restricted Stock Plan(the "Plan") under which the Company grants options to its employees, directors and independent contractors and consultants who perform services for the Company. Under terms of the plan, 1.5 million shares of common stock are reserved for awards under the Plan. The Plan provides that the exercise price of each option granted equals the market price of the Company's stock on the date of grant. Any options granted vest within one to five years and have a maximum term of 10 years.

A summary of the activity related to the Company's stock options granted under the Plan during the six months ended June 30, 2009 and 2008 is presented below:

	For the Six Months Ended June 30,			
	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	905,251	$ 2.54	1,029,988	$ 2.49
Granted	108,000	1.33	59,000	2.76
Exercised	(17,600)	0.78	(14,850)	1.42
Forfeited	(60,375)	2.57	(220,720)	2.63
Outstanding, end of period	935,276	2.43	853,418	2.64
Options exercisable at period-end	556,276	2.61	647,418	2.52
Weighted average fair value of options granted during the period		$ 0.66		$ 0.94

	For the Six Months Ended June 30,	
	2009	2008
Number of options exercised	17,600	14,850
Cash received	$ 13,728	$ 21,159
Intrinsic value	20,944	15,967
Tax benefit	7,121	5,588

The following table summarizes information about options outstanding under the Plan as of June 30, 2009.

Range of Exercise Prices	Options outstanding			Options exercisable	
	Shares	Weighted Average remaining contractual life (years)	Weighted Average exercise price	Shares	Weighted Average Exercise Price
				-	
$1.01 to $1.50	111,850	9.3	$ 1.33	3,850	$ 1.20
$1.51 to $1.99	102,700	9.2	1.65	2,700	1.64
$2.00 to $2.69	218,826	5.2	2.50	218,826	2.50
$2.70 to $3.10	501,900	6.5	2.80	330,900	2.71
	935,276		$ 2.43	556,276	$ 2.61

During the three months ended June 30, 2009, $22,000 was recognized in compensation expense, with a 34% assumed tax benefit, for the Plan. During the six months ended June 30, 2009, $46,000 was recognized in compensation expense, with a 34% assumed tax benefit, for the Plan. During the three months ended June 30, 2008, $18,000 was recognized in compensation expense, with a 35% assumed tax benefit, for the Plan. During the six months ended June 30, 2008, $41,000 was recognized in compensation expense, with a 35% assumed tax benefit, for the Plan. The fair value of each option granted in 2009 is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for those grants: dividend yield of 0%; expected volatility of 45.52%; risk-free interest rate of 1.99% and an expected life of 7.0 years. At June 30, 2009, there were 379,000 unvested options with a fair value of $329,000 with $198,000 of that amount remaining to be recognized as expense. At that date, the intrinsic value (the excess of the market price over the exercise price) of the 935,276 options outstanding was $0, while the intrinsic value of the 556,276 exercisable (vested) options was $0. During the six months ended June 30, 2009, 60,375 options were forfeited with a weighted average grant fair value of $154,873.

Note 3: Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140.* This statement prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, SFAS 166 amends Statement of Financial Standard No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, or SFAS 140, by removing the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FIN 46(R) to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in SFAS 140. SFAS 166 is effective for fiscal years beginning after November 15, 2009. We have not determined the effect that the adoption of SFAS 166 will have on our financial position or results of operations.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R).* This statement amends FASB Interpretation No. 46, *Consolidation of Variable Interest Entities (revised December 2003) — an interpretation of ARB No. 51*, or FIN 46(R), to require an enterprise to determine whether it's variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS 167 also amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS 167 is effective for fiscal years beginning after November 15, 2009. We have not determined the effect that the adoption of SFAS 167 will have on our financial position or results of operations.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162.* SFAS 168 replaces SFAS No. 162*, The Hierarchy of Generally Accepted Accounting Principles,* to establish the *FASB Accounting Standards Codification* as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in

conformity with generally accepted accounting principles in the United States. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. We do not expect the adoption of this standard to have an impact on our financial position or results of operations.

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4). FASB Statement 157, *Fair Value Measurements*, defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 provides additional guidance on determining when the volume and level of activity for the asset or liability has significantly decreased. The FSP also includes guidance on identifying circumstances when a transaction may not be considered orderly.

FSP FAS 157-4 provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with Statement 157.

This FSP clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The FSP provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 157-4 must also early adopt FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. We adopted this pronouncement in second quarter 2009 and it had no impact on our financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment. Previously, this assessment required management to assert it has both the intent and the ability to hold a security for a period of time sufficient to allow for an anticipated recovery in fair value to avoid recognizing an other-than-temporary impairment. This change does not affect the need to forecast recovery of the value of the security through either cash flows or market price.

In instances when a determination is made that an other-than-temporary impairment exists but the investor does not intend to sell the debt security and it is not more likely than not that it will be required to sell the debt security prior to its anticipated recovery, FSP FAS 115-2 and FAS 124-2 changes the presentation and amount of the other-than-temporary impairment recognized in the income statement. The other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related

to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 115-2 and FAS 124-2 must also early adopt FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. We adopted this pronouncement in second quarter 2009 and it had no impact on our financial statements.

Note 4: Segment Reporting

Our reportable segments represent strategic businesses that offer different products and services. The segments are managed separately because each segment has unique operating characteristics, management requirements and marketing strategies. We have three reportable segments: community banking; consumer loans (formerly "subprime consumer loans"); and card products (formerly "subprime card products"). As a result of market conditions, the Bank made a strategic decision to discontinue its mezzanine finance business effective July 1, 2008. In the following table for 2008, the mezzanine segment has been reclassified to the community banking segment. The community banking segment is primarily comprised of the results of operations and financial condition of commercial loan and deposit operations. We additionally offer consumer products to the underbanked consumer including consumer installment loans and credit cards. Consumer loans are loans with principal amounts of $2,500 or less and terms of 120 days to 24 months. These loans typically are made in states that are outside of Delaware via the internet through a small number of marketers with rates and fees significantly different from other loan products offered. We also offer card products, which consist of prepaid and credit cards, on a national basis through a small number of marketers. The majority of these installment loans and credit card receivables are sold or participated. As a result of discussions with the FDIC, most third party relationships involved in generating these loans and credit cards have been terminated, which materially has reduced and continues to reduce revenues. The headings for the unsecured consumer loan and credit card segments were changed to avoid confusion with subprime mortgage loans, which the Bank has never made. The credit characteristics of consumer loan and card borrowers may include weakened credit histories that include payment delinquencies and possibly more severe problems such as charge-offs, judgments, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories.

We evaluate the performance of the community banking segment based upon net income, return on equity and return on average assets. Consumer installment loans and card products are evaluated based upon net income.

Segment information for the three and six months ended June 30, 2009 and 2008, is as follows:

As of and for the three months ended June 30, 2009

(dollars in thousands)

	Community Banking	Card Products	Consumer Loans	Total
Net interest income	$ 910	$ (20)	$ 1,171	$ 2,061
Provision for loan losses	950	150	450	1,550
Non-interest income	203	1,808	477	2,488
Non-interest expenses	823	885	927	2,635
Provision(benefit) for income taxes	(224)	259	92	127
Net income (loss)	$ (436)	$ 494	$ 179	$ 237

As of and for the six months ended June 30, 2009

(dollars in thousands)

	Community Banking	Card Products	Consumer Loans	Total
Net interest income	$ 1,874	$ 9	$ 2,355	$ 4,238
Provision for loan losses	1,075	325	875	2,275
Non-interest income	323	3,965	947	5,235
Non-interest expenses	1,699	2,243	2,192	6,134
Provision(benefit) for income taxes	(195)	478	80	363
Net income (loss)	$ (382)	$ 928	$ 155	$ 701

Selected Balance Sheet Accounts at June 30, 2009:

	Community Banking	Card Products	Consumer Loans	Total
Total assets	$ 102,551	$ 13,905	$ 4,963	$ 121,419
Total loans	63,277	501	3,735	67,513
Total deposits	62,822	13,632	905	77,359

As of and for the three months ended June 30, 2008

(dollars in thousands)

	Community Banking	Card Products	Consumer Loans	Total
Net interest income	$ 1,106	$ 80	$ 1,424	$ 2,610
Provision for loan losses	79	899	272	1,250
Non-interest income	379	3,025	1,642	5,046
Non-interest expenses	824	2,336	1,110	4,270
Provision(benefit) for income taxes	204	(46)	614	772
Net income (loss)	$ 378	$ (84)	$ 1,070	$ 1,364

As of and for the six months ended June 30, 2008

(dollars in thousands)

	Community Banking	Card Products	Consumer Loans	Total
Net interest income	$ 2,247	$ 150	$ 2,943	$ 5,340
Provision for loan losses	144	899	1,007	2,050
Non-interest income	716	5,889	3,606	10,211
Non-interest expenses	1,799	3,762	2,268	7,829
Provision for income taxes	367	496	1,171	2,034
Net income	$ 653	$ 882	$ 2,103	$ 3,638
Selected Balance Sheet Accounts at December 31, 2008:				
Total assets	$ 83,323	$ 29,349	$ 3,530	$ 116,202
Total loans	67,849	768	2,690	71,307
Total deposits	47,528	24,509	253	72,290

Note 5: 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, 2009 there were 931,426 options which were antidilutive and therefore excluded from the calculation. At June 30, 2008, there were 811,118 options which were antidilutive due to the option exercise price being 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, 2009, and 2008.

	Three months ended			
	2009		**2008**	
Net Income	$237,000		$1,364,000	
	Shares	**Per Share**	**Shares**	**Per Share**
Weighted average shares For period	11,416,193		11,391,951	
Basic EPS		$0.02		$0.12
Add common stock equivalents representing dilutive stock options	-		21,921	
Effect on basic EPS of dilutive CSE		-		-
Equals total weighted average shares and CSE (diluted)	11,416,193		11,413,872	
Diluted EPS		$0.02		$0.12

	Six months ended			
	2009		**2008**	
Net Income	$701,000		$3,638,000	
	Shares	**Per Share**	**Shares**	**Per Share**
Weighted average shares For period	11,408,747		11,384,526	
Basic EPS		$0.06		$0.32
Add common stock equivalents representing dilutive stock options	1,930		34,658	
Effect on basic EPS of dilutive CSE		-		-
Equals total weighted average shares and CSE (diluted)	11,410,677		11,419,184	
Diluted EPS		$0.06		$0.32

Note 6: 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 June 30,**		**Six months ended June 30,**	
	2009	**2008**	**2009**	**2008**
Net income	$ 237	$ 1,364	$ 701	$ 3,638
Other comprehensive loss, net of tax:				
Unrealized gains (losses) on securities:				
Unrealized holding losses during the period	(74)	(172)	(67)	(56)
Tax effect on unrealized holding losses	25	60	27	20
Comprehensive income	$ 188	$ 1,252	$ 661	$ 3,602

Note 7: Fair Value of Financial Instruments:

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

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement 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 157 applies to other accounting pronouncements that require or permit fair value measurements. The Company adopted SFAS 157 effective for its fiscal year beginning January 1, 2008.

In December 2007, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"). FSP 157-2 delayed the effective date of SFAS 157 for all non-financial assets and liabilities, except those that were recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. As such, the Corporation has now adopted the provisions of SFAS 157, and has begun to account and report for non-financial assets and liabilities in 2009. In October 2008, the FASB issued FASB Staff Position 157-3, *Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active* ("FSP 157-3"), to clarify the application of the provisions of SFAS 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 was effective immediately. The adoption of SFAS 157 and FSP 157-3 had a minimal impact on the amounts reported in the consolidated financial statements.

SFAS No.157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FAS No.157 are described below:

Basis of Fair Value Measurement:

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

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

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

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

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

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

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

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2009 and December 31, 2008 are as follows:

Description	June 30, 2009	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
		(In Thousands)		
Securities available for sale	$ 17,011	$ -	$ 17,011	$ -

Description	December 31, 2008	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
		(In Thousands)		
Securities available for sale	$ 22,631	$ -	$ 22,631	$ -

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2009 and December 31, 2008 are as follows:

Description	June 30, 2009	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
		(In Thousands)		
Impaired loans	$ 312	$ -	$ -	$ 312
Other real estate owned	$ 1,127	$ -	$ -	$ 1,127

Description	December 31, 2008	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
		(In Thousands)		
Impaired loans	$ 1,080	$ -	$ -	$ 1,080
Other real estate owned	$ 293	$ -	$ -	$ 293

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

Cash and Cash Equivalents (Carried at Cost):

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

Investment Securities:

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) is determined by matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments. The types of instruments valued based on quoted market prices in active markets include all of the Company's U.S. government and agency securities, municipal obligations and corporate bonds and trust preferred securities. Such instruments are generally classified within level 1 or level 2 of the fair value hierarchy. As required by SFAS No. 157, the Bank does not adjust the quoted price for such instruments.

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

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

Loans Receivable (Carried at Cost):

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

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

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

Restricted Stock (Carried at Cost):

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

Accrued Interest Receivable and Payable (Carried at Cost):

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

Bank Owned Life Insurance:

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

Deposit Liabilities (Carried at Cost):

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

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

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

The estimated fair values of the Company's financial instruments were as follows at June 30, 2009 and December 31, 2008.

(Dollars in Thousands)	June 30, 2009		December 31, 2008	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Balance Sheet Data:				
Financial Assets:				
Cash and cash equivalents	$ 24,853	$ 24,853	$ 9,553	$ 9,553
Investment securities available for sale	17,011	17,011	22,631	22,631
Restricted stock	475	475	139	139
Loans receivable, net	67,513	67,675	71,307	71,147
Bank owned life insurance	1,837	1,837	1,817	1,817
Accrued interest receivable	286	286	248	248
Financial Liabilities:				
Deposits:				
Demand, savings and money market	$ 52,003	$ 52,003	$ 59,855	$ 59,855
Time	25,356	25,532	12,435	12,577
Accrued interest payable	262	262	175	175
Off Balance Sheet Financial Instruments:				
Commitments to extend credit	$ -	$ -	$ -	$ -
Letters of credit	-	-	-	-

Note 8: Investment Securities:

Investment securities available for sale as of June 30, 2009 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FHLB Discount Notes	$ 9,940	$ 55	$ -	$ 9,995
Mortgage Backed Securities	6,712	304	-	7,016
Total	$ 16,652	$ 359	$ -	$ 17,011

Investment securities available for sale as of December 31, 2008 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FHLB Discount Notes	$ 14,751	$ 196	$ -	$ 14,947
Mortgage Backed Securities	7,453	231	-	7,684
Total	$ 22,204	$ 427	$ -	$ 22,631

The maturity distribution of the amortized cost and estimated fair value of investment securities by contractual maturity at June 30, 2009, is as follows:

	Available for Sale	
(Dollars in thousands)	Amortized Cost	Estimated Fair Value
Less than 1 year	$ 9,940	$ 9,995
After 15 years	6,712	7,016
Total	$ 16,652	$ 17,011

Note 9: Subsequent Events:

Subsequent events were reviewed through August 11, 2009.

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, except as may be required by applicable law or regulations. Readers should carefully review the risk factors described in other documents FBD files from time to time with the FDIC.

Consumer Installment Loans

Installment loans are fully amortizing unsecured loans of $2,500 or less with a term of up to 24 months and have anywhere between 4 and 48 scheduled repayments. These loans are offered via the internet and telephone. Customers must have an active checking account, valid identification and a regular source of income. Customers must meet additional credit underwriting criteria which may include minimum FICO credit scores and debt to income thresholds. Upon approval, a customer is provided a loan agreement, which he or she signs, and the funds are then electronically deposited into the customer's account. Principal and interest payments are due at least monthly. Customers may repay their loans via ACH transactions from their bank account or by money order. These loans carry an annual interest rate of approximately 87% to 334%. Loans that were previously offered had terms of up to 120 months, but we no longer make those loans and none are on our balance sheet.

We derive our authority to charge these rates of interest on these loans from the Federal Deposit Insurance Act, which authorizes a state chartered, FDIC-insured bank to charge the highest interest rates allowed under the law of the state where the bank is located. As a Delaware state-chartered depository institution, the Bank is subject to the interest rate laws of the State of Delaware, which do not impose limits on the rate of interest Delaware banks may charge on these loans.

Consumer installment loans were previously offered through unaffiliated third party marketers and servicers with whom we contracted and who own the internet sites at which the loans are marketed. We have terminated our arrangements with these servicers and now offer our products directly, and may utilize professional marketers to help us obtain customers. We will then perform underwriting, customer service and collection functions ourselves, or through directly contracted third parties. We have developed an infrastructure, including oversight, to support the products, as a result of our consent order and discussions with the FDIC.

We sell the majority of our consumer loans or participations in these loans to third party investors and plan on continuing this practice. The credit characteristics of borrowers may include weakened credit histories that include payment delinquencies and possibly more severe problems such as charge-offs, judgements, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories.

These third party buyers are investors or investment groups familiar with the industry. These loans are sold or participated on a non-recourse basis and the investors bear the risk of loss for any defaults on these loans. We retain a portion of the income on these sold loans, which is recorded as non-interest income. We also retain some of the loans we originate. Income on these retained loans is recorded as interest income. Per our internal guidelines, we hold up to 25% of our capital in these loans at any one time. We currently originate loans via the internet or by telephone, which are mostly sold or participated to third parties. At June 30, 2009, there were approximately $29.9 million of such loans outstanding of which $5.0 million was retained on the Bank's books.

Card Products

Prepaid Cards

Through our membership with MasterCard International and Visa, we have become an issuing bank for prepaid cards. In third quarter 2005, we began offering prepaid cards primarily to the un-banked and under-banked customer on a national basis. Prepaid cards are cards that store information electronically on a magnetic stripe or computer chip and can be used to purchase goods or services. Funds are loaded onto cards which can be used in a manner similar to some debit/ATM cards and in some instances are similar to a MasterCard® or Visa® credit card. Prepaid cards are a substitute for cash, gift certificates and check payments. Cards can be either personalized with a customer name, non-personalized, reloadable or non-reloadable based on the type of card. Cards are issued through the internet, corporations or directly to the consumer. We have contracted with several card processors to provide front-end software platform functionality, cardholder support and card fulfillment. The bank earns revenues on these cards through interchange, monthly fees and float on the card deposits. We ceased marketing cards through several processors in the third and fourth quarters of 2008. The impact on revenue is expected to be minimal, as we plan to offer our own prepaid cards through selected processors in 2009.

Credit Card Products

We are an issuing bank for certain credit card programs. The credit characteristics of borrowers may include weakened credit histories that include payment delinquencies and possibly more severe problems such as charge-offs, judgements, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories.

FBD originates credit card receivables and sells or participates the majority of such receivables into the secondary market without recourse. We previously offered our card products through various third parties, but have terminated all third party credit card programs, with one exception, as a result of our consent order and discussions with the FDIC. FBD will continue to service cardholders in certain terminated programs until the cards expire. The credit card receivables are sold or participated on a non-recourse basis and the purchasers bear the risk of loss for any default on the receivables. Our results of operations can be significantly affected by the ability of our third party purchasers to obtain financing to purchase loan receivables. Macroeconomic issues related to credit markets for loans to borrowers with weakened credit histories, could exacerbate related funding availability and costs. To the extent that these purchasers cannot obtain financing, or financing is limited, we may have to reduce or cease originations. We earn a monthly fee for each active account, as well as a monthly management fee. In fourth quarter 2007, we began a test of

our own credit card products, which we retain on the balance sheet and for which we retain all income, pay all expenses and bear the risk of loss. We terminated this test in 2008. At June 30, 2009 FBD had $813,000 of gross credit card receivables on its books.

Financial Condition:

June 30, 2009, Compared to December 31, 2008

Total assets increased $5.2 million to $121.4 million at June 30, 2009, versus $116.2 million at December 31, 2008. This increase reflected an $15.8 million increase in fed funds sold which was offset in part by decreases in investments of $5.6 million, and in loan receivables of $3.8 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 decreased $3.8 million, or 5.3%, to $67.5 million at June 30, 2009, versus $71.3 million at December 31, 2008. The loan portfolio consists of commercial real estate, construction and other commercial loans, as well as consumer installment loans and credit card receivables. Commercial real estate loans comprise the majority of the loan portfolio. Commercial real estate loans amounted to $49.3 million at June 30, 2009 compared to $50.7 million at December 31, 2008. Construction and land development loans amounted to $11.7 million and $12.6 million respectively, at those dates. As of June 30, 2009, there were $5.0 million of consumer loans and $813,000 of credit card receivables outstanding. At December 31, 2008, there were $4.0 million of consumer loans and $1.1 million of credit card receivables outstanding.

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 $17.0 million at June 30, 2009, a decrease of $5.6 million or 24.8%, from year-end 2008. This decrease resulted primarily from a $5 million maturing security and pay downs of mortgage-backed securities. At June 30, 2009, and December 31, 2008, the portfolio had net unrealized gains of $359,000 and $427,000, 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 $15.3 million to $24.9 million at June 30, 2009 from $9.6 million at December 31, 2008. Federal funds sold increased by $15.8 million between those respective dates, to $19.8 million at June 30, 2009, reflecting the maturity of short-term securities.

Restricted Stock:

FBD is a member of the Federal Home Loan Bank of Pittsburgh(”FHLB”) and, as such, had been required to maintain stock at FHLB in proportion to its outstanding FHLB advances, prior to the FHLB suspension of dividend payments in 2008. Since that suspension of dividend payments, the restricted stock has been frozen and not redeemed. Federal Home Loan Bank Stock increased to $414,000 at June 30, 2009 from $139,000 at December 31, 2008. The amount of stock required to be held increased as borrowings were made. When the borrowings were repaid the stock was not redeemed in accordance with current Federal Home Loan Bank policy.

During the second quarter of 2009, FBD purchased $60,000 of stock in Atlantic Central Bankers Bank(“ACBB”) as a support to our line of credit with ACBB. The stock totaled $60,000 at June 30, 2009 and $0 at December 31, 2008. This amount is included in “Restricted Stocks” on the balance sheet.

Premise and Equipment:

Premises and equipment, net of accumulated depreciation was $2.9 million at June 30, 2009 and $3.4 million at December 31, 2008, respectively. The decrease represented sales of assets at book value during the second quarter of 2009.

Bank Owned Life Insurance:

Business owned life insurance amounted to $1.8 million at June 30, 2009 and December 31, 2008. The income earned on these policies is reflected in non-interest income.

Deposits:

Deposits, which include non-interest and interest-bearing demand deposits, money market, savings and time deposits and brokered time deposits, represent the major sources of funding. Deposits are generally solicited from the Delaware market area through 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 $5.1 million to $77.4 million at June 30, 2009, from $72.3 million at December 31, 2008. Average transaction accounts in the current quarter decreased $11.2 million or 17.2% over the comparable prior year quarter. See *“Analysis of Net Interest Income”*

The decrease reflected the impact of terminating third party relationships related to consumer loans and credit cards. Time deposits increased $12.9 million to $25.3 million at June 30, 2009, versus $12.4 million at December 31, 2008 due primarily to $10 million in brokered time deposits issued in second quarter 2009. The brokered deposits were utilized as they were less costly than local deposits.

Other Liabilities:

Other liabilities, including accrued interest payable and accrued expenses, decreased by $957,000 or 21.7% to $3.5 million at June 30, 2009 from $4.4 million at December 31, 2008. The decrease was primarily due to federal tax payments and deferred compensation plan distributions.

Shareholders' Equity:

Total shareholders' equity increased $1.1 million to $40.6 million at June 30, 2009, versus $39.5 million at December 31, 2008. This increase primarily reflected net income of $701,000 and deferred compensation plan distributions of $384,000.

Three Months Ended June 30, 2009 Compared to June 30, 2008

Results of Operations:

Overview

Our net income decreased to $237,000 or $0.02 per diluted share for the three months ended June 30, 2009, compared to $1.4 million, or $0.12 per diluted share for the comparable prior year period. The $1.1 million decrease in after tax net income reflected a $927,000 decrease in consumer loan fee income, a $1.2 million decrease in income from credit card and prepaid card products and a $300,000 increase in loan loss provision. This decline reflected the termination of certain third party lending programs. The income declines were partially offset by a $960,000 reduction in credit card program marketing and processing expenses. Net interest income also decreased in second quarter 2009 to $2.1 million from $2.6 million in the comparable prior year period. These were the primary factors which resulted in a return on average assets and average equity of 0.82% and 2.37% respectively, in the second quarter of 2009 compared to 4.55% and 14.60% respectively for the same period in 2008.

Analysis of Net Interest Income

In addition to significant amounts of consumer loan and credit card fee income, historically, 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.

The following table sets forth an analysis of net interest income by major categories of interest earning assets and interest bearing liabilities and the related yields and costs for the three months ended June 30, 2009 and 2008.

Interest-earning assets:	For the three months ended June 30, 2009			For the three months ended June 30, 2008		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Federal funds sold and other interest-earning assets	$ 15,057	$ 8	0.22%	$ 15,850	$ 83	2.11%
Securities	17,996	182	4.05%	15,054	197	5.22%
Loans receivable	72,425	2,104	11.65%	79,606	2,618	13.19%
Total interest-earning assets	105,478	2,294	8.72%	110,510	2,898	10.52%
Other assets	11,092			9,655		
Total assets	$ 116,570			$ 120,165		
Interest-bearing liabilities:						
Demand-non interest bearing	$ 22,258			$ 37,781		
Demand interest-bearing	694	$ 3	1.56%	314	$ 1	1.28%
Money market & savings	31,017	114	1.47%	27,116	144	2.13%
Time deposits	18,406	116	2.53%	12,470	143	4.60%
Total deposits	72,375	233	1.29%	77,681	288	1.49%
Total interest-bearing deposits	50,117	233	1.86%	39,900	288	2.90%
Other borrowings	198	-	0.00%	-	-	-
Total interest-bearing liabilities	$ 50,315	$ 233	1.86%	$ 39,900	$ 288	2.90%
Total deposits and other borrowings	72,573	233	1.29%	77,681	288	1.49%
Non interest-bearing liabilites	3,804			5,005		
Shareholders' equity	40,193			37,479		
Total liabilities and shareholders' equity	$ 116,570			$ 120,165		
Net interest income		$ 2,061			$ 2,610	
Net interest spread			6.86%			7.62%
Net interest margin			7.84%			9.47%

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, 2009 versus June 2008 (dollars in thousands) Due to change in:		
	Volume	Rate	Total
Interest earned on:			
Federal funds sold	$ -	$ (74)	$ (74)
Securities	30	(45)	(15)
Loans	(208)	(307)	(515)
Total interest-earning assets	(178)	(426)	(604)
Interest expense of deposits:			
Interest-bearing demand deposits	(2)	-	(2)
Money market and savings	(14)	44	30
Time deposits	(37)	64	27
Total deposit interest expense	(53)	108	55
Other borrowings	-	-	-
Total interest expense	(53)	108	55
Net interest income	$ (231)	$ (318)	$ (549)

The net interest margin decreased 163 basis points to 7.84% for the three months ended June 30, 2009, versus the prior year comparable period. The decrease reflected lower mezzanine financing balances and a decrease in higher yielding average consumer installment loan balances. The average yield on interest-earning assets also decreased 180 basis points to 8.72% for the three months ended June 30, 2009, from 10.52% for the prior year comparable period. Excluding consumer installment loans, net interest margins would have been approximately 3.28% in second quarter 2009 and 4.78% in second quarter 2008. The resulting 150 basis point decrease reflected the impact of a declining rate environment and a reduction of $4.3 million of high yielding mezzanine finance loans. The average rate paid on interest-bearing liabilities decreased 104 basis points to 1.86% for the three months ended June 30, 2009, from 2.90% in the prior year comparable period, as FBD did not renew higher priced fixed rate time deposits as we anticipated further declines in interest rates. Yields on total deposits also decreased 20 basis points, to 1.29% in second quarter 2009 from 1.49% in second quarter 2009 primarily as a result of the declining rate environment.

FBD's net interest income decreased $549,000, or 21.0%, to $2.1 million for the three months ended June 30, 2009, from $2.6 million for the prior year comparable period. The decrease resulted primarily from lower loan balances and lower rates thereon.

Total interest income decreased $604,000, or 20.8%, to $2.3 million for the three months ended June 30, 2009, from $2.9 million for the prior year comparable period. Interest and fees on loans decreased $514,000, or 19.6% to $2.1 million for the three months ended June 30, 2009, from $2.6 million for the prior year comparable period. The decreases reflected those factors noted in the preceding paragraphs which discussed net interest margin and net interest income. Interest and dividends on investment securities decreased $15,000, or 7.6% to $182,000 for the three months ended June 30, 2009, from $197,000 for the prior year comparable period primarily reflecting the maturity of higher yielding securities replaced with lower yielding securities. Excess liquidity was generally invested in overnight federal funds sold. The Bank maintains excess liquidity in federal funds sold so that it is immediately available in the event of unforeseen liquidity requirements. Federal funds sold income decreased $75,000, to $8,000 in second quarter 2009, compared to $83,000 in second quarter 2008. The decrease reflected lower average short-term interest rates which decreased the yield to 0.22% from 2.11% between those respective periods.

Total interest expense decreased $55,000, or 19.1%, to $233,000 for the three months ended June 30, 2009, from $288,000 for the prior year comparable period. That decrease reflected the impact of reduced levels of higher cost time deposits and lower short-term interest rates on the cost of interest-bearing liabilities which decreased 104 basis points to 1.86% in second quarter 2009 from 2.90% in second quarter 2008. Average total interest-bearing liabilities increased $10.4 million, or 26.1%, to $50.3 million in second quarter 2009, from $39.9 million in second quarter 2008.

Interest expense on time deposits (certificates of deposit) decreased $27,000, or 18.9%, to $116,000 for second quarter 2009, from $143,000 for the prior year comparable period. This decrease reflected lower rates and the maturity and non renewal of higher cost certificates of deposit. Average certificates of deposit outstanding increased $5.9 million, or 47.6%, to $18.4 million, from $12.5 million in the prior year comparable period. The increase was primarily due to our issuance of brokered time deposits which averaged $5.1 million during second quarter 2009. While local certificates of deposit are readily available, the brokered certificates were obtained at a significantly lower cost. Additionally, the lower interest rate environment also contributed to a decrease in average rate on certificates of deposit of 207 basis points to 2.53% for the quarter ended June 30, 2009 from 4.60% 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 management determines is adequate to absorb losses inherent in our loan portfolio. The provision for loan losses increased $300,000 to $1.6 million for the three months ended June 30, 2009, from $1.3 million for the prior year comparable period. The increase reflected an increase in the provision for loan losses required by FBD’s allowance for loan loss methodology. The 2009 amount included the provision reserved for our community bank loans which amounted to $950,000, accounting for the majority of the $1.6 million expense.

Non-Interest Income

Total non-interest income decreased $2.6 million to $2.5 million for the three months ended June 30, 2009, versus $5.0 million for the prior year comparable period. Credit and prepaid card product income decreased by $1.2 million or 40.2% for the three months ended June 30, 2009 compared to the quarter ended June 30, 2008. Revenue on card products is earned primarily on the number of active accounts, subject to certain minimum payments from our primary marketer. The decline in revenue reflected the termination of certain relationships. The primary marketer for our directly offered credit cards generated $1.4 million in revenue or 29.0% of total revenue in second quarter 2009. Fees on consumer installment loans decreased by $927,000 to $476,000 or 66.1% for the three months ended June 30, 2009 compared to $1.4 million in the prior year comparable period primarily as a result of decreases in the volume of such products reflecting terminations of certain relationships.

Non-Interest Expense

Total non-interest expense decreased $1.7 million, or 38.3% to $2.6 million for the three months ended June 30, 2009, from $4.3 million for the prior year comparable period. The decrease reflected $960,000 of lower credit card program marketing and processing expenses relating to the credit card product tested by FBD in 2008. Salaries and employee benefits decreased $366,000 or 18.0% for the three months ended June 30, 2009, from $2.0 million for the prior year comparable period. The $366,000 represented reductions in incentive compensation and outsourcing expenses.

Occupancy expense increased $21,000, or 15.0%, to $161,000 for second quarter 2009, versus $140,000 for second quarter 2008. The increase reflected increases in rent and maintenance expenses between the periods.

Depreciation expense increased $9,000, or 8.7% to $112,000 for the three months ended June 30, 2009, versus $103,000 for the prior year comparable period.

Legal fees decreased $51,000, or 61.5%, to $32,000 in second quarter 2009, compared to $83,000 in second quarter 2008. The decrease reflected legal fees paid in 2008, related to new product development which included consumer installment loans, prepaid and credit cards and other loan products, which did not recur in 2009.

Professional fees decreased $204,000, or 81.0% to $48,000 in second quarter 2009, compared to $252,000 in the comparable prior year period. The decrease reflected consulting fees related to credit cards incurred in the second quarter of 2008, which did not recur in 2009.

Data processing expense decreased $25,000, or 18.9%, to $107,000 in second quarter 2009 from $132,000 in second quarter 2008. The decrease reflected reduced processing charges related to our community banking functions and a one time credit of $10,000 from an internet loan support company.

Credit card program marketing expense amounted to $596,000 in second quarter 2008. This expense represents the charges incurred in setting up a test of the Bank's directly offered credit card and, as the test program was terminated, there were no expenses in second quarter 2009.

Credit card program processing expense decreased to $56,000 in second quarter 2009, compared to $420,000 in the comparable prior year period. The decrease reflected the termination of the test of our directly offered credit card between the periods.

The FDIC assessment increased $47,000 or 293.8% to $63,000 in second quarter 2009 from $16,000 in 2008. The increase in 2009 reflected an additional assessment by the FDIC to recapitalize its insurance fund.

Delaware franchise tax decreased $110,000, or 98.2%, to $2,000 in second quarter 2009 from $112,000 in second quarter 2008. The decrease resulted primarily from decreased taxable income.

Other expenses for the three months ended June 30, 2009, were comparable to the prior year period. A $27,000 increase in insurance expense and an $18,000 increase in OREO expenses, were partially offset by reductions in other expenses.

Provision for Income Taxes

The provision for income taxes decreased $645,000, or 83.6% to $127,000 for the three months ended June 30, 2009, from $772,000 for the prior year comparable period. The increase was primarily the result of the decrease in pre-tax income. The effective tax rate was 34% for the three month period ended June 30, 2009 compared to 36% in the prior year comparable period. The reduction reflected a lower estimated tax rate and the impact of a fixed amount of tax free income on lower pre-tax income.

Six Months Ended June 30, 2009 Compared to June 30, 2008

Results of Operations:

Overview

Our net income decreased to $701,000 or $0.06 per diluted share for the six months ended June 30, 2009, compared to $3.6 million, or $0.32 per diluted share for the comparable prior year period primarily reflecting lower non-interest income. The $2.9 million decrease in after tax net income reflected a $2.3 million decrease in consumer loan fee income and a $1.9 million decrease in income from credit card and prepaid card products. This decline reflected the termination of certain third party lending programs. The declines in non interest income were partially offset by reductions in non-interest expenses of $1.7 million. Net interest income also decreased in 2009 to $4.2 million from $5.3 million in the prior year period. These were the primary factors which resulted in a return on average assets and average equity of 1.22% and 3.52% respectively, in the six months ended 2009 compared to 6.01% and 20.19% respectively for the same period in 2008.

Analysis of Net Interest Income

In addition to significant amounts of consumer loan and credit card fee income. 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.

The following table sets forth an analysis of net interest income by major categories of interest earning assets and interest bearing liabilities and the related yields and costs for the six months ended June 30, 2009 and 2008.

Interest-earning assets: (Dollars in thousands)	For the six months ended June 30, 2009 Average Balance	Interest Income/ Expense	Yield/ Rate	For the six months ended June 30, 2008 Average Balance	Interest Income/ Expense	Yield/ Rate
Federal funds sold and other interest-earning assets	$ 11,997	$ 15	0.26%	$ 16,242	$ 216	2.69%
Securities	20,041	399	3.98%	16,078	419	5.21%
Loans receivable	73,500	4,234	11.61%	79,086	5,430	13.85%
Total interest-earning assets	105,538	4,648	8.87%	111,406	6,065	10.98%
Other assets	10,754			10,291		
Total assets	$ 116,292			$ 121,697		
Interest-bearing liabilities:						
Demand-non interest bearing	$ 29,215			$ 36,864		
Demand interest-bearing	470	$ 4	1.54%	394	$ 2	1.02%
Money market & savings	26,787	181	1.37%	28,319	371	2.65%
Time deposits	15,412	223	2.90%	14,732	352	4.80%
Total deposits	71,884	408	1.14%	80,309	725	1.82%
Total interest-bearing deposits	42,669	408	1.93%	43,445	725	3.37%
Other borrowings	552	2	0.73%	-	-	-
Total interest-bearing liabilities	$ 43,221	$ 410	1.91%	$ 43,445	$ 725	3.37%
Total deposits and other borrowings	72,436	410	1.14%	80,309	725	1.82%
Non interest-bearing liabilites	3,663			5,144		
Shareholders' equity	40,193			36,244		
Total liabilities and shareholders' equity	$ 116,292			$ 121,697		
Net interest income		$ 4,238			$ 5,340	
Net interest spread			6.96%			7.61%
Net interest margin			8.09%			9.67%

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, 2009 versus June 2008 (dollars in thousands) Due to change in:		
	Volume	Rate	Total
Interest earned on:			
Federal funds sold	$ (5)	$ (196)	$ (201)
Securities	79	(99)	(20)
Loans	(322)	(874)	(1,196)
Total interest-earning assets	(248)	(1,169)	(1,417)
Interest expense of deposits:			
Interest-bearing demand deposits	(1)	(1)	(2)
Money market and savings	10	180	190
Time deposits	(10)	139	129
Total deposit interest expense	(1)	318	317
Other borrowings	(2)	-	(2)
Total interest expense	(3)	318	315
Net interest income	$ (251)	$ (851)	$ (1,102)

Our net interest margin decreased 158 basis points to 8.09% for the six months ended June 30, 2009, versus the prior year comparable period. The majority of the decrease reflected lower mezzanine financing balances and a decrease in higher yielding average consumer installment loan balances. Without the consumer loans, net interest margins would have been approximately 3.50% for the first six months of 2009 and 4.34% for the comparable prior year period . The resulting 84 basis point decline reflected the impact of a declining rate environment and the loss of $4.3 million in high yielding mezzanine finance loans. The average rate paid on interest bearing liabilities decreased 146 basis points to 1.91% for the six months ended June 30, 2009 from 3.37% in the prior year comparable period, as FBD chose not to renew higher priced fixed rate time deposits in anticipation of declines in interest rates. We have begun to issue brokered time deposits which, in the current environment, carry a significantly lower cost than in-market time deposits. Yields on total deposits also decreased 68 basis points, to 1.14% in the six months ended June 30, 2009 from 1.82% in the prior year comparable period primarily as a result of the declining rate environment.

Our net interest income decreased $1.1 million, or 20.6%, to $4.2 million for the six months ended June 30, 2009, from $5.3 million for the prior year comparable period. The decrease resulted primarily from lower loan balances and lower rates thereon.

Total interest income decreased $1.4 million or 23.4%, to $4.6 million for the six months ended June 30, 2009, from $6.1 million for the prior year comparable period. Interest and fees on loans decreased $1.2 million, or 22.0%, to $4.2 million for the six months ended June 30, 2009, from $5.4 million for the prior

year comparable period. The decrease reflected those factors noted in the preceding paragraph. Interest and dividends on investment securities decreased $20,000, or 4.8%, to $399,000 for the six months ended June 30, 2009, from $419,000 for the prior year comparable period. FBD purchased securities between the periods which more than offset maturing issues, but carried a lower yield which led to a decrease in income. Federal funds sold income decreased $201,000, or 93.0%, to $15,000 in for the first six months of 2009, compared to $216,000 in the comparable prior year period. The decrease reflected the declining rate environment as yields decreased 243 basis points on fed funds sold to 0.26% from 2.69% between those respective periods. Average federal funds sold balances decreased as FBD reduced balances of higher cost time deposits funding such balances. Average federal funds sold decreased $4.2 million, or 26.1%, to $12.0 million from $16.2 million in the comparable prior year period.

Total interest expense decreased $315,000, or 43.5%, to $410,000 for the six months ended June 30, 2009, from $725,000 for the prior year comparable period. That decrease reflected the impact of reduced levels of higher cost time deposits and lower short-term interest rates on the yield on interest-bearing liabilities. The yield on all interest bearing liabilities decreased 146 basis points to 1.91% in the first six months of 2009 from 3.37% in the comparable prior year period. Total interest-bearing liabilities decreased $224,000 between the periods.

Interest expense on time deposits (certificates of deposit) decreased $129,000, or 36.6%, to $223,000 for the first six months of 2009, from $352,000 for the prior year comparable period. This decrease primarily reflected the maturity and non-renewal of higher cost certificates of deposit. Average certificates of deposit outstanding increased $680,000, or 4.6%, to $15.4 million, for the six months ended June 30, 2009, from $14.7 million in the prior year comparable period. The increase reflected an average of $2.5 million in brokered time deposits which carry a significantly lower cost than our other time deposits. We began offering brokered time deposits in second quarter 2009.

Provision for Loan Losses

The provision for loan losses increased $225,000 to $2.3 million for the six months ended June 30, 2009, from $2.1 million for the prior year comparable period. The increase reflected additions to the provision for loan losses required by FBD’s allowance for loan loss methodology.

Non-Interest Income

Total non-interest income decreased $5.0 million, or 48.7%, to $5.2 million for the six months ended June 30, 2009, versus $10.2 million for the prior year comparable period. The $5.0 million decrease resulted primarily from fee income on credit card products primarily earned on the number of active accounts which decreased substantially between the periods. The decline in revenue reflected the termination of certain relationships. Additionally, incentive revenue was earned on the basis of card issuances from Mastercard. The Bank recorded incentive income related to issuing cards of $132,000 included in card income for the six months ended June 30, 2009 compared to $1.3 million in the prior year comparable period. The Bank retains some credit card receivables on its books, for which the income in the first six months of 2009 amounted to $262,000 compared to $1.1 million for the six months ended June 30, 2008. The primary marketer for our credit cards generated $2.8 million in revenue or 28.2% of total revenues of $9.9 million in the six months ended June 30, 2009. Consumer installment loan fee income decreased $2.3 million to $946,000 in 2009 from $3.2 million in the first six months ended June 30, 2008 primarily as a result of decreases in the volume of such products reflecting terminations of certain relationships.

Non-Interest Expenses

Total non-interest expenses decreased $1.7 million or 21.7% to $6.1 million for the six months ended June 30, 2009, from $7.8 million for the prior year comparable period. Salaries and employee benefits decreased $450,000, or 10.6%, to $3.8 million for the six months ended June 30, 2009, from $4.2 million for the prior year comparable period. The decrease primarily reflected reductions in incentive and outsourcing expenses.

Occupancy expense increased $49,000, or 17.3%, to $332,000 for the first six months of 2009, versus $283,000 for the comparable prior year period. The increase reflected increased rent and maintenance expenses.

Depreciation expense increased $11,000, or 5.2% to $222,000 for the first six months of 2009, versus $211,000 for the prior year comparable period.

Legal fees decreased $81,000, or 45.3%, to $98,000 in the first six months of 2009, compared to $179,000 in the comparable prior year period. The majority of the decrease reflected legal fees paid in 2008 related to new product development which included consumer installment loans, prepaid and credit cards and other loan products.

Professional fees decreased $60,000, or 17.7% to $279,000 in the first six months of 2009, compared to $339,000 in the comparable prior year period. The decrease reflected reduced consulting fees and new product development in 2009.

Data processing expense decreased $9,000, or 3.4%, to $252,000 in the first six months of 2009 from $261,000 in the comparable prior year period.

Credit card program marketing expense decreased $596,000 in the first six months of 2009 as we terminated our directly offered card test between the periods.

Credit card program processing expense decreased to $180,000 in the first six months of 2009, compared to $537,000 in the comparable prior year period. The decrease reflected the reduction in processing and servicing expenses, which were incurred during 2008 and did not recur in 2009, relating to the Bank's directly offered credit card test, which was terminated.

The FDIC assessment increased $57,000, or 196.6% to $86,000 in the first six months of 2009, compared to $29,000 in the comparable prior year period. The increase in 2009 reflected an additional assessment by the FDIC to recapitalize its insurance fund.

Delaware franchise tax decreased $260,000, or 87.3%, to $38,000 in the first six months of 2009 from $298,000 in the comparable prior year period. The decrease resulted primarily from decreased taxable income.

Other expenses for the six months ended June 30, 2009, were comparable to the prior year period. Other real estate owned expense increased $23,000 and in 2009 there was a $41,000 expense for ACH processing expenses, which were partially offset by declines in other areas.

Provision for Income Taxes

The provision for income taxes decreased $1.7 million to $363,000 for the six months ended June 30, 2009, from $2.0 million for the prior year comparable period. This decrease was primarily the result of the decrease in pre-tax income. The effective tax rate was approximately 34% in 2009 and 36% in 2008. The reduction reflected a lower estimated tax rate and the impact of a fixed amount of tax free income on lower pre-tax income.

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 its customers. These financial instruments include commitments to extend credit and standby letters of credit totaling $125.6 million at June 30, 2009. 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 $125.4 million and $166.8 million and standby letters of credit of approximately $231,000 and $131,000 at June 30, 2009, and December 31, 2008, respectively. The commitments for 2009 and 2008 respectively include $119.2 million and $160.7 million in credit card commitments for which the resulting outstanding balances are sold after funding. Therefore such amounts are not indicative of actual future liquidity requirements. The Bank has the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary or desirable. The Bank has written contingency plans that document the steps required to effectuate the termination of credit card lines. Also, the purchasers maintain deposit balances at FBD which provide support for daily card funding. FBD closely monitors the liquidity resources of each purchaser.

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

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

Regulatory Matters

The following table presents the FBD's capital regulatory ratios at June 30, 2009, and December 31, 2008:

	Actual		For Capital Adequacy Purposes		To be well capitalized under regulatory capital guidelines	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
At June 30, 2009						
Total risk based capital	$41,441	49.17%	$6,742	8.00%	$8,428	10.00%
Tier 1 risk based capital	40,361	47.89	3,371	4.00	5,057	6.00
Tier 1 leverage capital	40,361	34.71	4,651	4.00	5,814	5.00
At December 31, 2008						
Total risk based capital	$40,358	45.07%	$7,164	8.00%	$8,955	10.00%
Tier 1 risk based capital	39,216	43.79	3,582	4.00	5,373	6.00
Tier 1 leverage capital	39,216	32.21	4,870	4.00	6,088	5.00

In the third quarter of 2009 a special assessment will be paid by all insured depository institutions to replenish the FDIC Deposit Insurance Fund. We have recorded an expense of $40,000 as of June 30, 2009 to cover that assessment.

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 security repurchase or sale various or drawing upon lines of credit cash generated by increasing deposits represents the primarily source of liquidity.

Regulatory authorities require FBD to maintain certain liquidity ratios and to maintain available funds, or the capability to obtain available funds at reasonable rates, in order to satisfy commitments to borrowers and the demands of depositors. In response to these requirements, 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 and due from banks, interest bearing deposits with banks and federal funds sold, totaled $24.9 million at June 30, 2009, compared to $9.5 million at December 31, 2008, due primarily to a $15.8 million 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, 2009, FBD had aggregate outstanding commitments (including unused lines of credit and letters of credit) of $125.6 million. The commitments include $119.2 million in credit card commitments for which the resulting balances are sold after funding. Therefore such amounts are not indicative of actual future

liquidity requirements. The Bank has the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary or desirable. The Bank has written contingency plans that document the steps required to effectuate the termination of credit card lines. Also, the purchasers maintain deposit balances at FBD which provide support for daily card funding. We closely monitor the liquidity resources of each purchaser. Certificates of deposit scheduled to mature in one year totaled $21.7 million at June 30, 2009. FBD anticipates that it will have sufficient funds available to meet its current commitments.

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 is a member of the FHLB and has a credit line exceeding $21 million, all of which is available. We have also established a line of credit from a correspondent bank, ACBB, to assist in managing our liquidity position. That line of credit totaled $4.0 million and was unused at June 30, 2009. Securities also represent a source of liquidity for FBD. Accordingly, investment decisions may 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 Philadelphia and Delaware market rates or paying a premium rate of 25 to 50 basis points over those market rates. Brokered deposits are also available for liquidity, but would only be used modestly, as the Bank primarily uses locally obtained deposits for its funding requirements. It is anticipated that these sources of liquidity will continue to be available; however, their 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, 2009, 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 $16.6 and $17.0 million as of June 30, 2009. The net unrealized gain on investment securities available for sale as of that date was $359,000.

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 $2,000,000 but customers may borrow significantly larger amounts up to the secured legal lending limit of approximately $10.9 million at June 30, 2009. Individual customers may have several loans often secured by different collateral.

Net loans decreased $3.8 million, to $67.5 million at June 30, 2009, from $71.3 million at December 31, 2008.

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

(dollars in thousands)	As of June 30, 2009		As of December 31, 2008	
	Balance	% of Total	Balance	% of Total
Commercial:				
Real estate secured	$ 49,283	69.7	$ 50,678	68.3
Construction and land development	11,698	16.5	12,594	17.0
Non real estate secured	2,959	4.2	4,614	6.2
Unsecured	990	1.4	990	1.3
	64,930	91.8	68,876	92.8
Credit card receivables	813	1.1	1,336	1.8
Consumer installment loans	4,995	7.1	4,004	5.4
Consumer - other loans	9	0.0	26	0.0
Total loans	70,747	100.0%	74,242	100.0%
Less: allowance for loan losses	(3,234)		(2,935)	
Net loans	$ 67,513		$ 71,307	

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 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.

(dollars in thousands)	June 30, 2009	December 31, 2008
Loans accruing, but past due 90 days or more	$ -	$ -
Non-accrual loans	689	2,116
Total non-performing loans (1)	689	2,116
Other real estate owned	1,127	293
Total non-performing assets (2)	$ 1,816	$ 2.409
Non-performing loans as a percentage of total loans net of unearned income	0.97%	2.85%
Non-performing assets as a percentage of total assets	1.50%	2.07%

(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 $689,000 at June 30, 2009 decreased from $2.1 million at December 31, 2008, primarily as a result of the transfer of $834,000 of non accrual commercial loans to other real estate owned in first quarter 2009 and a $482,000 reduction in consumer installment non accrual loans. The $834,000 transfer represented two loans to a single borrower, after a $363,000 charge-off. During the period a loan of $252,000 was transferred to non accrual. There were no loans accruing, but past due 90 days or more at June 30, 2009.

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, 2009, all identified problem loans are included in the preceding table or are internally classified with a specific reserve allocation in the allowance for loan losses (see “Allowance For Loan Losses”). Management believes that the appraisals and other estimates of the value of the collateral pledged against the non-accrual loans generally exceed the amount of its outstanding balances.

The recorded investment in loans which are impaired totaled $689,000 at June 30, 2009 and $2.1 million at December 31, 2008, and the amount of related valuation allowances was $377,000 and $1.0 million 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, 2009, and December 31, 2008, internally classified accruing loans totaled approximately $2.0 and $0 million respectively.

We do not classify our consumer loans and credit cards as substandard; however, they may be classified as such for regulatory purposes, due to the weakened credit characteristics of the borrowers. We had delinquent loans as follows: (i) 30 to 59 days past due, in the aggregate principal amount of $825,000 at June 30, 2009 and $174,000 at December 31, 2008; and (ii) 60 to 89 days past due at June 30, 2009 and December 31, 2008, in the aggregate principal amount of $2,000 and $269,000, respectively.

Other Real Estate Owned:

There were two properties held in other real estate owned at June 30, 2009 with a value of $1.1 million. A total of $834,000 secured by land and improvements for new condominium construction was transferred to other real estate owned in first quarter 2009. There were two loans totaling $1.2 million secured by that property, of which $363,000 was charged off, with the balance of $834,000 transferred to other real estate owned.

At June 30, 2009, FBD had no credit exposure to "highly leveraged transactions" as defined by the FDIC.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the six months ended June 30, 2009, and 2008, and the year ended December 31, 2008 is as follows:

(dollars in thousands)	For the six months ended June 30, 2009	For the year ended December 31, 2008	For the six months ended June 30, 2008
Balance at beginning of period…………………..	$2,935	$ 2,581	$2,581
Charge-offs:			
Commercial and commercial real estate……….	154	170	137
Construction and land development…………….	363	-	-
Credit cards…………………..………………….	584	1,450	84
Unsecured consumer loans……………………..	1,087	2,508	1,484
Consumer ……………………………...…….	-	137	-
Total charge-offs	2,188	4,265	1,705
Recoveries:			
Commercial and commercial real estate….	-	-	38
Credit cards…………….…….………………	6	4	-
Unsecured consumer loans…...………………	160	392	200
Consumer……………………………....……	46	38	-
Total recoveries………………………..	212	434	238
Net charge-offs …………………….………………	1,976	3,831	1,467
Provision for loan losses…………………………..	2,275	4,185	2,050
Balance at end of period………………………..	$3,234	$2,935	$3,164
Average loans outstanding (1)………………....	$73,500	$77,004	$79,086
As a percent of average loans (1):			
Net charge-offs (annualized)……………………	5.37%	4.98%	3.71%
Provision for loan losses (annualized)……..…	6.19%	5.43%	5.18%
Allowance for loan losses…………….……...	4.40%	3.81%	4.00%
Allowance for loan losses to:			
Total loans, net of unearned income at period end	4.57%	3.95%	4.24%
Total non-performing loans at period end...……	469.38%	138.71%	350.78%

(1) Includes nonaccruing loans.

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

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

at June 30, 2009. However, there can be no assurance that additions to the allowance for loan losses will not be required.

In the first quarter of 2009, the bank charged off $363,000 on two loans to one borrower which were secured by land and improvements for new condominium construction in Lewes, Delaware. The remainder of this loan was transferred to other real estate owned. In the second quarter of 2009, we charged off $154,000 on a loan secured by an apartment building in New York City. It is not feasible to determine in which loan category future charge-offs and recoveries may occur. The entire allowance for loan losses is available to absorb loan losses in any loan category. The majority of the loan portfolio represents loans made for commercial purposes, while significant amounts of residential property may serve as collateral for such loans. FBD attempts to evaluate larger loans individually, on the basis of its loan review process, which scrutinizes loans on a selective basis, and other available information. Even if all commercial purpose loans could be reviewed, there is no assurance that information on potential problems would be available. The portfolio of consumer loans is evaluated in groups. At June 30, 2009, loans classified as commercial and construction, and consumer purposes respectively, amounted to $64.9 million and $5.8 million. The $5.8 million was comprised of $5.0 million of consumer installment loans and $813,000 of credit card receivables.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information otherwise required by this item.

ITEM 4: 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, 2009 that has materially affected, or is reasonably likely to materially affect, out internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On April 21, 2009, Yulon Clerk ("Plaintiff") filed a putative class action complaint ("Complaint") in the Pennsylvania Court of Common Pleas for Philadelphia County against the Bank, ACE Cash Express, Inc., d/b/a America's Cash Express ("ACE"), Eastern Specialty Finance, Inc., d/b/a Check 'n Go ("CNG"), and nineteen other defendants. On May 19, 2009, the Bank and other defendants removed the action to the United States District Court for the Eastern District of Pennsylvania. The matter is captioned as *Clerk v. Cash America Net of Nevada, LLC, et al.*, Case No. 2:09-cv-2245-NS.

In the action, Plaintiff seeks to certify a class of all Pennsylvania residents who obtained and made payments on a loan or advance of money on credit in an amount less than $25,000 from the defendants during an indeterminate period at an interest rate exceeding six percent per annum. According to the Complaint, the interest rate for each and all of these loans exceeds the interest rate permitted by Pennsylvania law.

The relief requested by Plaintiff for herself and for the putative class includes: restitution of all excess interest and charges collected by defendants; treble damages for interest payments exceeding the statutory rate; disgorgement of all revenue, profits, benefits and monies obtained by defendants and interest thereon; injunctive relief; and actual and statutory damages, attorneys' fees and costs.

On June 8, 2009, the Bank, ACE, and CNG filed motions to compel arbitration and stay litigation. On July 8, 2009, the Plaintiff filed oppositions to the motions to compel arbitration. On July 24, FBD, ACE, and CNG filed reply briefs. The motions are now fully briefed and we are awaiting a decision from the Court.

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

We previously reported on administrative enforcement actions taken by the FDIC and Illinois Department of Financial & Professional Regulation, Division of Financial Institutions in our Annual Report on Form 10-K for the year ended December 31, 2008, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009. There were no material developments with respect to either of these action during the quarter ended June 30, 2009.

We also previously reported in our Annual Report on Form 10-K for the year ended December 31, 2008, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, on an action filed by the San Francisco City Attorney in the name of the People of the State of California in the Superior Court of the State of California, County of San Francisco, against First Bank of Delaware, Monetary Management of California, Inc. and Money Mart Express, Inc., and Check 'N Go of California, Inc. and its affiliated companies. On April 2, 2009, the Bank answered the First Amended Complaint denying all of the material allegations therein.

From time to time we may be party to other lawsuits that occur in the ordinary course of business. While any litigation involves an element of uncertainty, our management is of the opinion that our liability, if any, resulting from any such actions that are currently pending will not have a material effect on our financial condition or results of operations.

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 28, 2009 at 4:00 pm at 5301 Limestone Road, Suite 106 Wilmington, DE 19808. As of the record date of said meeting of the shareholders, the number of shares then issued and outstanding was 11,401,301 shares of common stock, of which 11,401,301 were entitled to vote. A total of 10,143,802 shares were voted. No nominee received less than 94.9 % of the voted shares. Therefore, pursuant to such approval, the following directors were elected to the Company:

William W. Batoff	3 year term	expires 2012	9,626,468 votes for, 517,334 votes withheld
Alonzo J. Primus	3 year term	expires 2012	9,626,468 votes for, 517,334 votes withheld

There were no broker non votes.

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)

<u>Exhibit No.</u>

31.1	Rule 13a-14(a) Certification of the Chief Executive Officer
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer

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

Alonzo J. Primus
President and Chief Executive Officer

Paul Frenkiel
Executive Vice President and Chief Financial Officer

Dated: August 11, 2009

Exhibit 31.1

CERTIFICATION

I, Alonzo J. Primus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Bank of Delaware (the "company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying 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 11, 2009 ____________________________________

Alonzo J. Primus
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Paul Frenkiel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Bank of Delaware (the "company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors :

(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 11, 2009 ____________________________________

Paul Frenkiel
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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-Q for the quarter ended June 30, 2009, as filed with the Federal Deposit Insurance Corporation by First Bank of Delaware ("FBD") on the date hereof (the "Report"), I, Alonzo J. Primus, 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 11, 2009

By:____
Alonzo J. Primus
President and Chief Executive Officer

Exhibit 32.2

**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-Q for the quarter ended June 30, 2009, 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 11, 2009

By:____

Paul Frenkiel,
Executive Vice President and
Chief Financial Officer