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: **September 30, 2012**

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) YES ___ NO ____

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

Large accelerated filer___ Accelerated filer___
Non-accelerated filer___ Smaller reporting company__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:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.
11,348,189 shares of Issuer's Common Stock, par value
$0.05 per share, issued and outstanding as of October 22**,** 2012

Page 1 of 40
Exhibit index appears on page 37

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

First Bank of Delaware
Consolidated Statement of Net Assets in Liquidation
as of September 30, 2012
(Dollars in thousands, except share and per share data)
(unaudited)

ASSETS:	September 30, 2012
Cash and due from banks	$ 6,051
Interest bearing deposits with banks	63,685
Total cash and cash equivalents	69,736
Investment securities	3,196
Restricted stock	2,108
Loans held for sale	95,479
Premises and equipment, net	367
Accrued interest receivable	385
Bank owned life insurance	1,570
Other assets	3,107
Total Assets	$ 175,948
LIABILITIES:	
Liabilities:	
Deposits:	
Demand – non-interest-bearing	$ 16,127
Demand – interest-bearing	1,094
Money market and savings	30,491
Time under $100,000	25,257
Time $100,000 or more	21,935
Total Deposits	94,904
Accrued interest payable	312
FHLB Borrowings	40,171
Accrued expenses	17,734
Other liabilities	6,777
Total Liabilities	$ 159,898
NET ASSETS IN LIQUIDATION	$ 16,050

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Balance Sheet
as of December 31, 2011
(Dollars in thousands, except share and per share data)

ASSETS:		December 31, 2011
Cash and due from banks	$	11,385
Interest bearing deposits with banks		108,887
Total cash and cash equivalents		120,272
Investment securities available for sale, at fair value		4,218
Restricted stock, at cost		2,099
Loans receivable (net of allowance for loan losses of $2,214)		119,966
Premises and equipment, net		2,175
Accrued interest receivable		503
Bank owned life insurance		1,562
Other assets		6,490
Total Assets	$	257,285
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Demand – non-interest-bearing	$	66,684
Demand – interest-bearing		2,260
Money market and savings		46,619
Time under $100,000		24,793
Time $100,000 or more		27,969
Total Deposits		168,325
Accrued interest payable		275
FHLB Borrowings		40,000
Accrued expenses		1,743
Other liabilities		928
Total Liabilities		211,271
Shareholders' Equity:		
Common stock par value: $0.05;		
Shares authorized: 15,000,000;		
Shares issued and outstanding: 11,424,401		571
Additional paid in capital		13,583
Retained earnings		31,604
Accumulated other comprehensive income		256
Total Shareholders' Equity		46,014
Total Liabilities and Shareholders' Equity	$	257,285

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2012 and 2011
(Dollars in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest income:				
Interest and fees on loans	$1,395	$1,890	$4,531	$5,615
Interest and dividend income on federal funds sold and other interest-earning balances	49	40	188	138
Interest and dividends on investment securities	44	58	147	188
Total interest income	1,488	1,988	4,866	5,941
Interest expense:				
Demand - interest bearing	-	5	5	15
Money market and savings	49	136	268	629
Time less than $100,000	83	45	268	112
Time over $100,000	75	52	262	139
Other borrowed funds	247	-	398	-
Total interest expense	454	238	1,201	895
Net interest income	1,034	1,750	3,665	5,046
Provision for (recovery of) loan losses	(2,214)	-	(2,214)	670
Net interest income after provision for (recovery of) loan losses	3,248	1,750	5,879	4,376
Non-interest income (loss):				
Loan fees	32	(17)	144	28
Service fees on deposit accounts	13	49	66	162
Bank owned life insurance	3	6	8	16
Other income	-	-	-	19
Impairment charge on loans held for sale	(1,948)	-	(1,948)	-
Gain on deposits sold	464	-	464	-
Total non-interest income (loss)	(1,436)	38	(1,266)	225
Non-interest expenses:				
Salaries and employee benefits	566	333	2,575	2,888
Occupancy	181	162	515	481
Depreciation	90	110	303	329
Legal	1,061	372	2,518	488
Professional fees	199	78	2,568	158
Data processing and operational expense	958	175	1,310	470
Director's fees	64	4	228	121
Regulatory assessments and costs	122	77	367	271
Other real estate owned expenses	-	-	1	63
Delaware franchise tax	-	-	-	(123)
Civil money penalty	15,500	-	15,500	-
Impairment charge on premises and equipment	1,555	-	1,555	-
Other operating expenses	6,713	307	7,363	1,788
Total non-interest expense	27,009	1,618	34,803	6,934
(Loss) income before income taxes	(25,197)	170	(30,190)	(2,333)
Income tax expense (benefit)	-	59	(1,009)	(784)
(Loss) income from continuing operations	(25,197)	111	(29,181)	(1,549)
(Loss) income from discontinued operations net of tax	(49)	247	(572)	4,973
Net Loss (income)	$(25,246)	$ 358	$(29,753)	$ 3,424
Earnings (loss) per share (basic and diluted):				
Continuing operations	($2.21)	$0.01	($2.55)	($0.14)
Discontinued operations	($0.00)	$0.02	($0.05)	$0.44
Total earnings (loss) per share	($2.21)	$0.03	($2.60)	$0.30

(See notes to unaudited consolidated financial statements)

FIRST BANK OF DELAWARE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the three and nine months ended September 30, 2012 and 2011
(Dollars in thousands)
(Unaudited)

	Three months ended September 30, 2012	Three months ended September 30, 2011
Net (loss) income	$ (25,246)	$ 358
Other comprehensive (loss) income, net of tax:		
Unrealized losses on securities:		
Unrealized holding losses during the period	(2)	(21)
Tax effect on unrealized holding losses	2	7
Comprehensive (loss) income	$ (25,246)	$ 344

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Net (loss) income	$ (29,753)	$ 3,424
Other comprehensive loss, net of tax:		
Unrealized losses on securities:		
Unrealized holding losses during the period	(92)	(36)
Tax effect on unrealized holding losses	33	12
Comprehensive (loss) income	$ (29,812)	$ 3,400

(See notes to unaudited consolidated financial statements)

FIRST BANK OF DELAWARE
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months ended September 30, 2012 and 2011
(Dollars in thousands)
(Unaudited)

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance January 1, 2012	$ 571	$ 13,583	$ 31,604	$ 256	$ 46,014
Stock based compensation	–	62	–	–	62
Stock retired	(4)	(210)	–	–	(214)
Net loss	–	–	(29,753)	–	(29,753)
Other comprehensive loss, net of taxes of ($33)	–	–	–	(59)	(59)
Balance September 30, 2012	$ 567	$ 13,435	$ 1,851	$ 197	$ 16,050

Total shareholders' equity is presented as net assets in liquidation on the Consolidated Statement of Net Assets in Liquidation at September 30, 2012.

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance January 1, 2011	$ 571	$ 13,542	$ 30,030	$ 275	$ 44,418
Stock based compensation	–	14	–	–	14
Options exercised 5,500 shares	–	7	–	–	7
Net income	–	–	3,424	–	3,424
Other comprehensive loss, net of taxes of ($12)	–	–	–	(24)	(24)
Balance September 30, 2011	$ 571	$ 13,563	$ 33,454	$ 251	$ 47,839

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2012 and 2011
(Dollars in thousands)
(unaudited)

	Nine months ended September 30,	
	2012	**2011**
Cash flows from operating activities:		
Net (loss) income	$(29,753)	$ 3,424
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Provision for loan losses	(2,214)	670
Stock compensation expense	62	14
Write down of other real estate owned	-	60
Impairment charge on premises and equipment	1,555	-
Impairment charge on loans held for sale	1,948	-
Gain on deposits sold	(464)	-
Gain on sale of loans	-	(610)
Depreciation and amortization	303	329
Amortization of premiums on investment securities	1	2
Increase in value of bank owned life insurance	(8)	(16)
Decrease in accrued interest receivable and other assets	3,320	775
Increase (decrease) in accrued interest payable, accrued expenses and other liabilities	22,048	(2,261)
Net cash (used in) provided by operating activities	(3,202)	2,387
Cash flows from investing activities:		
FHLB Stock purchase	(9)	-
Principal collected on securities available for sale	929	791
FHLB stock redemption	-	56
Net decrease (increase) in loans	24,753	(9,373)
Proceeds from sales of other real estate owned	-	230
Proceeds from sales of loans	-	3,638
Paydowns of loans held for sale	-	2,460
Premises and equipment expenditures	(50)	(145)
Net cash provided by (used in) investing activities	25,623	(2,343)
Cash flows from financing activities:		
Net proceeds from exercise of stock options	-	7
Net decrease in demand, money market and savings deposits	(67,387)	(6,356)
Net increase (decrease) in time deposits	(5,570)	18,953
Net cash (used in) financing activities	(72,957)	12,604
(Decrease) increase in cash and cash equivalents	(50,536)	12,648
Cash and cash equivalents, beginning of period	120,272	77,823
Cash and cash equivalents, end of period	$ 69,736	$90,471
Supplemental disclosure:		
Interest paid	$ 1,164	$ 962
Taxes paid	$ -	$ 2,625
Transfer of loans receivable to loans held for sale	$ 95,479	$ -

(See notes to unaudited consolidated financial statements)

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

Note 1: Organization

First Bank of Delaware

First Bank of Delaware, referred to as "we," "FBD," the "Bank," "our," "us" or the "Company," is a commercial bank chartered pursuant to the laws of the State of Delaware. We operated a traditional community banking business, and have historically operated a consumer products division from which we derived a majority of our revenue, which is the sum of interest income and non-interest income. We presently conduct our principal community banking activities through an office in Wilmington, Delaware. On October 23, 2012 at the Annual Meeting of the Stockholders the following measures, among others, were approved:

1. The sale of certain of the Bank's loans, deposits, and other assets to The Bryn Mawr Trust Company ("Bryn Mawr") pursuant to the terms of the Purchase and Assumption Agreement dated as of April 27, 2012 between the Bank and Bryn Mawr (the "Transaction"); and

2. The complete liquidation and dissolution of FBD and the transfer of all FBD's assets and liabilities to a liquidating trust (the "Trust") established for the sole purpose of distributing FBD's assets to the stockholders.

The Board of Directors of the Bank (the "Board") previously approved the Plan of Liquidation and Dissolution on April 27, 2012 (the "Plan of Dissolution"). As a result of stockholder approval of the Plan of Dissolution, FBD executed the FBD Liquidating Trust Agreement (the "Trust Agreement"). On November 6, 2012, FBD gave notice to the Financial Industry Regulatory Authority of its intent to dissolve on or about November 16, 2012. This notice stated that the Bank's dissolution was conditioned upon the following: (i) the closing of the Transaction, (ii) the distribution of the Bank's remaining assets to the Trust, (iii) termination of the Bank's insurance by the Federal Deposit Insurance Corporation ("FDIC"), and (iv) approval by the Delaware Banking Commissioner. No assurances can be given as to the timing of any of these conditions.

In accordance with the Plan of Dissolution, the Bank and the Trustees (as defined in the Trust Agreement) established the Trust on behalf of and for the benefit of the Beneficiaries (as defined in the Trust Agreement) and, on the Effective Date (as defined in the Trust Agreement), the Bank will irrevocably and absolutely transfer, assign, convey and deliver to the Trustees for the benefit of the Beneficiaries all of its right, title and interest (whether legal, beneficial, or otherwise) in and to the Trust Assets (as defined in the Trust Agreement) free and clear of any lien, claim, encumbrance, or interest in such property of any other person or entity (except as provided herein) in trust to and for the benefit of the Beneficiaries for the uses and purposes stated herein and in the Plan of Dissolution. In connection with the transfer of the Trust Assets to the Trust, all rights and causes of action and all Books and Privileges (as defined in the Trust Agreement) relating to such Trust Assets will be transferred to the Trust and vest in the Trustees solely in their capacity as such. Effective as of the Effective Date, the Trustees will have all the rights, powers and duties set forth in the Trust Agreement and pursuant to applicable law for accomplishing the purposes of the Trust.

The Trust shall be dissolved at the earlier of (i) all of the Trust Assets having been distributed pursuant to the Plan of Dissolution and the Trust Agreement, or (ii) the Trustees or the Beneficiaries having aggregate Beneficial Interests (as defined in the Trust Agreement) of at least a majority of the total amount of Beneficial Interests approving the dissolutions of the Trust; provided, however, that in no event shall the Trust be dissolved later than three (3) years from the Effective Date unless the Trustees determine that a fixed-period extension (not to exceed two (2) extensions, each extension not to exceed eighteen (18) months) is necessary to facilitate or complete the recovery and liquidation of the Trust Assets; provided, further, that prior to making such extension, the Trustees shall have requested and received additional no-action assurances from the Securities and Exchange Commission regarding the registration and reporting requirements of the Trust under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and any other applicable federal securities act.

Note 2: Summary of Significant Accounting Policies:

Liquidation Basis of Accounting:

As a result of Stockholder approval of the Plan of Dissolution, the Company switched to the liquidation basis of accounting effective October 23, 2012 and retroactively adjusted the balance sheet to the Statement of Net Assets in Liquidation. Activity for the period January 1, 2012 through September 30, 2012, except for liquidation adjustments, is presented on an accrual basis. The liquidation basis of accounting is appropriate when, among other things, liquidation of the company is imminent and the net realizable value of assets are reasonably determinable. Under the liquidation basis of accounting, assets are stated at their estimated net realizable value, which is the non-discounted amount of cash or its equivalent, into which an asset is expected to be converted in the due course of business less direct costs, while liabilities are reported at their estimated settlement amount, which is the non-discounted amount of cash, or its equivalent, expected to be paid to liquidate an obligation in the due course of business, including direct costs. Additionally, under the liquidation basis of accounting, a reserve has been established for estimated costs expected to be incurred during the liquidation (exclusive of interest costs). Such costs are accrued when they are both estimable and probable. These estimates are periodically reviewed and adjusted as appropriate.

The valuation of assets at net realizable value and liabilities at anticipated settlement amounts represent estimates, based on present facts and circumstances known to FBD, and are subject to change.

Accrued Costs of Liquidation

Under the liquidation basis of accounting FBD has accrued for the estimated costs to be incurred in liquidation, as follows:

Accrued Liquidation Costs ($ in thousands)	**Balance as of September 30, 2012**
Lease obligations and contract termination costs	**$4,350**
Payroll related costs	**735**
Other	**571**
Total	**$5,656**

The Company will continue to incur operating costs and receive income on its cash investments from September 30, 2012 through the liquidation of the Company. On a regular basis, we evaluate our assumptions, judgments and estimates that can have a significant impact on our reported net assets in liquidation based on the most recent information available to us, and when necessary make changes accordingly. Actual costs and income may differ from our estimates, which might reduce the net assets available in liquidation to be distributed to stockholders.

The liquidation of the Company continues to be assessed and the exact timing and amount of distributions to stockholders, if any, can only be determined upon the completion of the orderly disposition of assets and the orderly discharge of all liabilities. Once management has completed those required steps the Company will revise the current estimates to reflect actual numbers. The numbers reflected on the statement of net assets available for liquidation include management’s estimates as of September 30, 2012 and do not necessarily reflect the final dollars that may be available for distributions to stockholders.

Liquidation Adjustments

In accordance with the adoption of liquidation basis of accounting, the Company made the following fair values adjustments. The Loans being sold to Bryn Mawr were transferred into Loans held for sale. The value ascribed to these loans was equal to the purchase price agreed to in the Amended Purchase and Assumption Agreement with Bryn Mawr and included a discount equal to approximately $1.9 million. A small number of loans were excluded from the transaction and those loans will be collected or monetized in the ordinary course of business. The Company expects that it will collect all amounts contractually owed under these loan agreements. As a result of the loans transfer to held for sale, the allowance for loan losses was completely reversed. The Company recorded an impairment charge of approximately $1.6 million related to the writedown of fixed assets not part of the transaction. This charge primarily relates to the unamortized amount of leasehold improvements that the Company does not believe will be able to be monetized during the liquidation. An impairment charge of $750 thousand was also taken to write down prepaid and other assets to management’s estimated realizable value. A gain on the extinguishment of deposit liabilities was recorded in an amount equal to the deposit premium being paid as part of the transaction. The sum of these liquidation adjustments approximated $1.6 million.

As previously reported, representatives of the United States Attorney’s Office for the Eastern District of Pennsylvania (the “U.S. Attorney”), the U.S. Treasury Department (the “Treasury”) and the FDIC have demanded civil money penalties from the Bank for alleged violations of the Financial Institutions Reform, Recovery, and Enforcement Act, the Bank Secrecy Act, including with respect to requirements that the Bank establish and implement a reasonably designed anti-money laundering program, and related statutes in connection with the Bank’s electronic payment (“E-Payment Programs”) and money service businesses (“Money Services Businesses”). The Bank has terminated its E-Payment Programs and Money Services Businesses as required by an FDIC Consent Order issued in the fourth quarter of 2011. Included in the statement of net assets available for liquidation is $15.5 million to settle the demands of the government. The proposed settlement includes a payment of $15 million in civil money penalties and $500,000 for restitution that will satisfy the outstanding claims of the U.S. Attorney, the Treasury and the FDIC as described above and in Item 1, Legal Proceedings, below. In exchange for the payment of the civil money penalties, the FDIC will terminate the 2008 and 2011 Consent Orders. The amount ultimately payable could be higher or lower than the present proposed settlement amount and could involve administrative proceedings and litigation in court.

FBD is subject to claims, lawsuits and proceedings. FBD recorded liabilities for contingencies including legal costs when it was probable that a liability was been incurred before the balance sheet date and the amount could be reasonably estimated. To the extent such losses can be recovered under FBD insurance programs, estimated recoveries are recorded when losses for insured events are recognized and the recoveries are probable of realization. Significant management judgment is required to estimate the amounts of such contingent liabilities and the related insurance recoveries. FBD analyzes its litigation exposure based on available information, including consultation with outside counsel handling the defense of these matters, to assess its potential liability. Contingent liabilities are not discounted. Litigation in connection with consumer loans and card products, if successful, and if not reimbursed by loan servicers and card marketers obligated to indemnify the Company, could have an adverse impact on net assets available for liquidation.

Significant 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, amount of loss contingencies and the realization of deferred tax assets and liquidation adjustments. Consideration is given to a variety of factors in establishing these estimates.

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

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

In evaluating our ability to recover deferred tax assets, management considers all available positive and negative evidence, including our past operating results and our forecast of future taxable income. In determining future taxable income, management makes assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Management does not forecast the Bank generating future taxable income; therefore, no additional tax assets will be created. We will also review the amount and timing of any tax credits or carryback.

Subsequent Event

In addition to the events mentioned above relating to the Stockholders Meeting and the Transaction, on November 2, 2012 the Company repaid the outstanding Federal Home Loan Bank of Pittsburgh ("FHLB")borrowings. The entire principal balance of $40.0 million plus a prepayment penalty of $171 thousand was repaid. As a result of this repayment, the FHLB released the collateral which was pledged to secure the advance, including loans and investment securities. This prepayment penalty is included in the interest expense on other borrowings at September 30, 2012.

Stock Based Compensation:

We maintained a Stock Option Plan and Restricted Stock Plan (the "Plan") under which the Company granted options, restricted stock or stock appreciation rights to the Company's employees, directors and certain consultants. As of September 30, 2012, 1.8 million shares of common stock had been available for issuance or transfer under the Plan. The Plan provided that the exercise price of each option granted equaled the market price of the Company's stock on the date of grant. Any options granted vested within one to five years and had a maximum term of 10 years. The adoption of the Strategic Plan in April 2012 resulted in the immediate vesting of all outstanding stock options. No additional options will be issued under this or any other plan.

A summary of the activity related to the Company's stock options granted under the Plan during the nine months ended September 30, 2012 and 2011 is presented below:

	For the Nine Months Ended September 30,			
	2012		2011	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	736,442	$ 2.44	970,422	$ 2.36
Granted	30,000	1.81	83,000	1.69
Exercised	-	-	(5,500)	1.37
Forfeited	(169,585)	2.60	(460,280)	2.22
Outstanding, end of period	596,857	2.36	587,642	2.39
Options exercisable at period-end	596,857	2.36	412,642	2.68
Weighted average fair value of options granted during the period		$ 0.63		$ 0.64

	For the Nine Months Ended September 30,	
	2012	2011
Number of options exercised	-	5,500
Cash received	-	$ 7,546
Intrinsic value	-	1,804
Tax benefit	-	613

The following table summarizes information about options outstanding under the Plan as of September 30, 2012.

	Options outstanding		
Range of Exercise Prices	Shares	Weighted Average remaining contractual life (years)	Weighted Average exercise price
$1.01 to $1.50	67,000	6.1	$ 1.30
$1.51 to $1.99	103,000	8.6	1.73
$2.00 to $2.69	150,757	2.0	2.51
$2.70 to $3.10	276,100	3.1	2.76
	596,857		$ 2.36

During the three months ended September 30, 2012, $0 was recognized in compensation expense for the Plan, compared to a credit of $12,000 in compensation expense for the three months ended September 30, 2011. The decrease was due to the accelerated vesting of options due to the adoption of the Strategic Plan during the second quarter of 2012. During the nine months ended September 30, 2012, $62,000 was recognized in compensation expense for the Plan, compared to $14,000 for the nine month period ending September 30, 2011. The fair value of each option granted in 2012 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: current share price of $1.81; expected volatility of 30.07%; risk-free interest rate of 1.49% and an expected life of 7.0 years. At September 30, 2012, the intrinsic value (the excess of the market price over the exercise price) of the 596,857 options outstanding was $0.

Note 3: Recent Accounting Pronouncements

Fair Value Measurements

In May 2011, the FASB issued ASU No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” The provisions of ASU No. 2011-04 result in a consistent definition of fair value and common requirements for the measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards. The Company adopted the provisions of ASU No. 2011-04 effective January 1, 2012. The fair value measurement provisions of ASU No. 2011-04 had no impact on the Company’s Consolidated Financial Statements. See Note 6 to the Consolidated Financial Statements for the enhanced disclosures required by ASU No. 2011-04.

In December 2011, the FASB issued *ASU 2011-12 (Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05).* In response to stakeholder concerns regarding the operational ramifications of the presentation of these reclassifications for current and previous years, the FASB has deferred the implementation date of this provision to allow time for further consideration. The requirement in ASU 2011-05, Presentation of Comprehensive Income, for the presentation of a combined statement of comprehensive income or separate, but consecutive, statements of net income and other comprehensive income is still effective for fiscal years and interim periods beginning after December 15, 2011 for public companies, and fiscal years ending after December 15, 2011 for nonpublic companies. The adoption of ASU 2011-12 did not have a material effect on our financial statements.

Note 4: Discontinued Operations

As previously reported in its Annual Report on Form 10-K for the year ended December 31, 2011, the Bank exited the E-Payments Programs, Money Services Businesses, Consumer Loan Segment and Card Products Segment in compliance with the 2011 Consent Order and 2008 Consent Order issued by the FDIC. As a result of these actions, the Company reported the operations listed above as discontinued operations as of December 31, 2011. The information presented below for the third quarter of 2012 represents residual activity related to the wind-down of the various businesses and is presented for comparability of financial statement purposes.

Summarized Statements of Income data for discontinued operations are as follows: (In thousands of dollars)	**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Revenue	$ -	$1,218	$153	$9,946
Income before provision for income tax	(49)	374	(842)	6,924
(Benefit) Provision for income taxes	-	127	(270)	2,354
Income from discontinued operations, net of tax	(49)	247	(572)	4,570
Gain on disposal of discontinued operations	-	-	-	610
Provision for income tax	-	-	-	207
Gain on disposal of discontinued operations, net of tax	-	-	-	403
Discontinued operations, net of tax	($49)	$247	($572)	$4,973

For the Nine Months Ended September 30, (In thousands of dollars)	**2012**	**2011**
Cash flows from discontinued operation		
Net cash from operating activities	$3,819	$5,488
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash flows for the period	$3,819	$5,488

The balance sheet data for the discontinued businesses has not been reclassified and is included in FBD's consolidated balance sheet at September 30 and December 31 in the following categories:

(In thousands of dollars)	**2012**	**2011**
Assets of discontinued operations:		
Loans, net	$ -	$3,819
Investments and Other Assets	4,139	21,078
Total assets of discontinued operations	$4,139	$24,897
Liabilities of discontinued operations:		
Deposits	$4,139	$24,897
Total liabilities of discontinued operations	$4,139	$24,897

Note 5: Earnings (Loss) Per Share:

Earnings (loss) per share ("EPS") consists of two separate components: basic EPS and diluted EPS. Basic EPS is computed by dividing net income (loss) 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"). There is no dilution in loss periods. CSEs consist of dilutive stock options granted through FBD's Stock Option Plan and Restricted Stock Plan. The following table is a reconciliation of the numerator and denominator used in calculating basic and diluted EPS. CSEs which are anti-dilutive are not included in the following calculation. At September 30, 2011 there were 437,092 options that were not included in the calculation of EPS because the option exercise price was greater than the average market price for the period.

The following tables are comparisons of EPS for the three and nine months ended September 30, 2012, and 2011.

	Three months ended September 30, 2012		2011	
Net (Loss) Income	($25,246,000)		$358,000	
	Shares	**Per Share**	**Shares**	**Per Share**
Weighted average shares o/s for the period ended	11,421,916		11,424,401	
Basic EPS		($2.21)		$0.03
Add common stock equivalents representing dilutive stock options	-		37,496	
Effect on basic EPS of dilutive CSE		$ -		$ -
Equals total weighted average Shares o/s and CSE (diluted)	11,421,916		11,461,897	
Diluted EPS		($2.21)		$0.03

	Nine months ended September 30, 2012		2011	
Net (Loss) Income	($29,753,000)		$3,424,000	
	Shares	**Per Share**	**Shares**	**Per Share**
Weighted average shares o/s for the period ended	11,423,573		11,423,824	
Basic EPS		($2.60)		$0.30
Add common stock equivalents representing dilutive stock options	-		53,410	
Effect on basic EPS of dilutive CSE		$ -		$ -
Equals total weighted average Shares o/s and CSE (diluted)	11,423,573		11,477,234	
Diluted EPS		($2.60)		$0.30

Note 6: 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 fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

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

Basis of Fair Value Measurement:

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

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

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and 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.

The estimated fair values of the Company's financial instruments were as follows at September 30, 2012 and December 31, 2011.

			Fair Value Measurements		
			(Level 1)	**(Level 2)**	**(Level 3)**
(Dollars in Thousands)	**Carrying Amount**	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**
	As of September 30, 2012				
Balance Sheet Data:					
Financial Assets:					
Cash and cash equivalents	$69,736	$69,736	$69,736	$ -	$ -
Investment securities available for sale	3,196	3, 196	-	3, 196	-
Restricted stock	2,108	2,108	2,108	-	-
Loans held for sale	95,479	95,479	-	90,632	4,847
Bank owned life insurance	1,570	1,570	1,570	-	-
Accrued interest receivable	385	385	385	-	-
Financial Liabilities:					
Deposits:					
Demand, savings and money market	$47,712	$47,712	$47,712	$ -	$ -
Time	47,192	47,384	-	47,384	-
FHLB borrowing	40,171	40, 171	-	40, 171	-
Accrued interest payable	312	312	312	-	-
Off Balance Sheet Financial Instruments:					
Commitments to extend credit	$ -	$ -	$ -	$ -	$ -
Letters of credit	-	-	-	-	-

	As of December 31, 2011				
			(Level 1)	(Level 2)	(Level 3)
Balance Sheet Data:	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Financial Assets:					
Cash and cash equivalents	$120,272	$120,272	$120,272	$ -	$ -
Investment securities available for sale	4,218	4,218	-	4,218	-
Restricted stock	2,099	2,099	2,099	-	-
Loans receivable, net	119,966	121,322		-	121,322
Bank owned life insurance	1,562	1,562	1,562	-	-
Accrued interest receivable	503	503	503	-	-
Financial Liabilities:					
Deposits:					
Demand, savings and money market	$115,563	$115,563	$115,563	$ -	$ -
Time	52,762	53,120	-	53,120	-
FHLB borrowing	40,000	39,998	-	39,998	-
Accrued interest payable	275	275	275	-	-
Off Balance Sheet Financial Instruments:					
Commitments to extend credit	$ -	$ -	$ -	$ -	$ -
Letters of credit	-	-	-	-	-

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2011 are as follows:

Description	December 31, 2011	(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	$ 3,758	$ -	$ -	$ 3,758

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) 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.

Loans Receivable:

Loans held for sale are valued using the purchase price in the Bryn Mawr Transaction and classified as Level 2 in the fair value hierarchy. Certain loans held for sale are excluded from the Bryn Mawr Transaction and are carried at cost, which management believes approximates fair value; these certain loans are classified as Level 3 in the hierarchy.

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, except for impaired loans, variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value, and classified at level 3 in the fair value hierarchy. Fair value is measured based on the value of the collateral securing these loans or techniques that are not supported by market activity for loans that are not collateral dependent and require management's judgment. The value of real estate collateral is initially determined based on appraisals by qualified licensed appraisers hired by the Bank, however, the appraised value may be adjusted by management based on unobservable inputs in the market for similar collateral if significant time has passed since the last appraisal. Adjustments to the appraisal range from 11% to 35% of the appraised value and have an average of 17%.

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 of deposit liabilities at September 30, 2012 are based on the contract sale price from the Bryn Mawr Trust Company Transaction. The fair values at December 31, 2011 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.

Note 7: Investment Securities:

Investment securities available for sale as of September 30, 2012 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental Mortgage Backed Securities	2,899	297	-	3,196
Total	$ 2,899	$ 297	$ -	$ 3,196

Investment securities available for sale as of December 31, 2011 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental Mortgage Backed Securities	$ 3,829	$ 389	$ -	$ 4,218
Total	$ 3,829	$ 389	$ -	$ 4,218

The maturity distribution of the amortized cost and estimated fair value of investment securities by contractual maturity at September 30, 2012, is as follows:

Available for Sale

(*Dollars in thousands*)	Amortized Cost	Estimated Fair Value
After 15 Years	$ 2,899	$ 3,196
Total	$ 2,899	$ 3,196

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

FBD did not sell any securities during 2012 or 2011.

There were no pledged securities as of December 31, 2011. In January 2012 the Company pledged its security portfolio to secure our FHLB borrowing. This pledge was released when the Company repaid the FHLB borrowing in November 2012.

Note 8: Loans and Allowance for Loan Losses:

Pursuant to the terms of the Amended Purchase and Assumption agreement with Bryn Mawr, the Company moved approximately $95.5 million in loans into the Loans held for sale category. Approximately $90.6 million will be purchased by Bryn Mawr. The remaining balance of $4.8 million in loans will be retained by the Trust. The Company anticipates they will be collected or sold at par in the normal course before the termination of the Trust. The Company recorded $1.9 million related to discounts on loans being purchased by Bryn Mawr. The Allowance for loan losses was reversed as a result of the loans being transferred to loans held for sale.

December 31, 2011
(in thousands)

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and commercial real estate	$ 82,240	$ —	$ —	$ —	$ 82,240
Owner occupied commercial real estate	15,344	—	—	—	15,344
Construction and land development	19,141	—	1,938	—	21,079
Other consumer loans	3,517	—	—	—	3,517
Total	$ 120,242	$ —	$ 1,938	$ —	$ 122,180

Included in impaired loans are modified loans accounted for as troubled debt restructurings. These loans are currently performing according to the modified terms.

There were no new loans modified during the three and nine month period ended September 30, 2012. There were no troubled debt restructurings that subsequently defaulted.

The Bank modified one commercial real estate loan and 3 construction and land development loans during the fiscal year ended December 31, 2011. The commercial real estate loan modified was to one borrower and was restructured for repayment terms. No principal was written off, nor was the loan considered collateral deficient. As a result of the modified terms of the loan, the Bank changed repayment to interest only, reduced the maturity from 10/1/15 to 1/1/14, and decreased the interest rate floor from 6% to 3.75%. Additional guarantors were also added. The borrower has remained current since the modification.

The construction and land development loans were to two related borrowers for one project and were restructured for repayment terms with no principal write off, nor was the loan collateral deficient. As a result of the modified terms of the loan, the Bank changed repayment to remove the interest rate floor of 6% with the loans priced at Wall Street Journal Prime + 1%, interest only. Maturity was extended for an additional 12 month term. The borrowers have remained current since the modification. There were no changes in reserves since collateral was not deficient.

The following table summarizes information in regards to impaired loans by loan portfolio class as of December 31, 2011 and for the Nine and three months ended September 30, 2011:

At December 31, 2011
(in thousands)

	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Commercial and commercial real estate	$ —	$ —	$ —
Owner occupied commercial real estate	—	—	—
Construction and land development	—	—	—
Credit card loans	—	—	—
Other consumer loans	—	—	—
With an allowance recorded:			
Commercial and commercial real estate	$ 1,695	$ 1,695	$ 34
Owner occupied commercial real estate	—	—	—
Construction and land development	2,173	2,173	76
Consumer installment loans	—	—	—
Credit card loans	—	—	—
Other consumer loans	—	—	—
Total:			
Commercial and commercial real estate	$ 1,695	$ 1,695	$ 34
Owner occupied commercial real estate	$ —	$ —	$ —
Construction and land development	2,173	2,173	76
Credit card loans	$ —	$ —	$ —
Other consumer loans	$ —	$ —	$ —

The following tables present additional information regarding the Company's impaired loans for the three and nine months ended September 30, 2011:

	Three Months Ended September 30, 2011	
(dollars in thousands)	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:		
Commercial and Commercial real estate	$ —	$ —
Owner occupied commercial real estate	—	—
Construction and land development	—	—
Credit card loans	—	—
Other consumer loans	—	—
Total		
With an allowance recorded:		
Commercial and Commercial real estate	$ 1,702	$ 18
Owner occupied commercial real estate	—	—
Construction and land development	1,176	11
Credit card loans	—	—
Other consumer loans	—	—
Total	$ 2,878	$ 29

Total:

Commercial and Commercial real estate	$ 1,702	$ 18
Owner occupied commercial real estate	—	—
Construction and land development	1,176	11
Credit card loans	—	—
Other consumer loans	—	—
Total	$ 2,878	$ 29

	Nine Months Ended September 30, 2011	
(dollars in thousands)	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:		
Commercial and Commercial real estate	$ —	$ —
Owner occupied commercial real estate	—	—
Construction and land development	—	—
Credit card loans	—	—
Other consumer loans	—	—
Total		
With an allowance recorded:		
Commercial and Commercial real estate	$ 1,704	$ 54
Owner occupied commercial real estate	—	—
Construction and land development	1,183	33
Credit card loans	—	—
Other consumer loans	—	—
Total	$ 2,887	$ 87
Total:		
Commercial and Commercial real estate	$ 1,704	$ 54
Owner occupied commercial real estate	—	—
Construction and land development	1,183	33
Credit card loans	—	—
Other consumer loans	—	—
Total	$ 2,887	$ 87

The performance and credit quality of the loan portfolio is also monitored by the analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2011:

	December 31, 2011 (in thousands)					
	30-89 Days Past Due	**Greater than 90 Days**	**Total Past Due**	**Current**	**Total Loans Receivables**	**Loans Receivable > 90 Days and Accruing**
Commercial and commercial real estate	$ —	$ —	$ —	$ 82,240	$ 82,240	$ —
Owner occupied commercial real estate	—	—	—	15,344	15,344	—
Construction and land development	—	—	—	21,079	21,079	—
Other consumer loans	—	—	—	3,517	3,517	—
Total	$	$	$	$122,180	$ 122,180	$ —

There were no loans on nonaccrual as of December 31, 2011.

Loans Receivable:

	Commercial and Commercial Real Estate	**Owner Occupied Commercial Real Estate**	**Construction and Land Development**	**Consumer**	**Unallocated**	**Total**
December 31, 2011						
Ending balance individually evaluated for impairment	1,695	-	2,173	-	-	3,868
Ending balance collectively evaluated for impairment	80,545	15,344	18,906	3,517	-	118,312
Ending balance loans acquired with deteriorated credit quality	-	-	-	-	-	-

The majority of loans outstanding are with borrowers in FBD's marketplace, Delaware and southeastern Pennsylvania. Generally, these loans are to customers whose assets and businesses are concentrated in real estate. Repayment of FBD's loans is in part dependent upon general economic conditions affecting FBD's market place and specific industries. FBD evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral varies but primarily includes residential, commercial and income-producing properties.

Included in loans are loans due from directors and other related parties of $0 and $582,000 at September 30, 2012 and December 31, 2011, respectively. All loans made to directors and other related parties have substantially the same terms and interest rates as other bank borrowers. The board of directors can approve loans to individual directors if collateral requirements, terms and rates are comparable to other borrowers and are in compliance with underwriting policies.

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

The following is management's discussion and analysis of the significant changes in our results of operations, financial condition, and capital resources presented in our consolidated financial statements, and is not reflective of any continuing versus discontinued operations segmentation. This discussion should be read in conjunction with our consolidated financial statements and the notes thereto.

Certain statements in this document may be considered to be "forward-looking statements" as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995, such as statements that include the words "may," "believes," "expect," "estimate," "project," 'anticipate," "should," "intend," "probability," "risk," "target," "objective" and similar expressions or variations on such expressions. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. For example, risks and uncertainties include: risk associated with our remaining loans, the impact and potential resolution of legal proceedings, litigation related to consumer financial products and banking; and similar items. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. FBD undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents FBD files from time to time with the FDIC, including FBD's Annual Report on Form 10-K for the year ended December 31, 2011.

Overview and Background

On April 27, 2012, the Board of Directors of the Bank (the "Board") approved the submission of a Strategic Plan to the FDIC for its approval, providing for the wind-down of the operations of the Bank by December 31, 2012 and in connection with the adoption of the Strategic Plan approved the execution by the Bank of a Purchase and Assumption Agreement dated April 27, 2012 (the "Agreement") with The Bryn Mawr Trust Company ("Bryn Mawr"). Pursuant to the Agreement, the Bank will sell its branch located at Brandywine Commons, 1000 Rocky Run Parkway, Wilmington, Delaware and certain of its loans and other assets to Bryn Mawr, and Bryn Mawr will assume certain of the deposit liabilities of the Bank (the "Transaction"). We currently estimate that this Transaction will be completed on November 16, 2012.

On October 23, 2012 at the Annual Meeting of the Stockholders the following measures, among others, were approved:

1. The sale of certain of the Bank's loans, deposits, and other assets to Bryn Mawr pursuant to the terms of the Agreement; and

2. The complete liquidation and dissolution of FBD and the transfer of all FBD's assets and liabilities to a liquidating trust (the "Trust") established for the sole purpose of distributing FBD's assets to its stockholders.

The Board previously approved the Plan of Liquidation and Dissolution (the "Plan of Dissolution") on April 27, 2012. As a result of stockholder approval of the Plan of Dissolution, FBD executed the FBD Liquidating Trust Agreement (the "Trust Agreement"). On November 6, 2012, FBD gave notice to the Financial Industry Regulatory Authority ("FINRA") of its intent to dissolve on or about November 16, 2012. This notice stated that the Bank's dissolution was conditioned upon the following: (i) the closing of the Transaction, (ii) the distribution of the Bank's remaining assets to the Trust, (iii) termination of the Bank's insurance by the FDIC, and (iv) approval by the Delaware Banking Commissioner. No assurances can be given as to the timing of any of these conditions.

In accordance with the Plan of Dissolution, the Bank and the Trustees (as defined in the Trust Agreement) established the Trust on behalf of and for the benefit of the Beneficiaries (as defined in the Trust Agreement) and, on the Effective Date (as defined in the Trust Agreement), the Bank will irrevocably and absolutely transfer, assign, convey and deliver to the Trustees for the benefit of the Beneficiaries all of its right, title and interest (whether legal, beneficial, or otherwise) in and to the Trust Assets (as defined in the Trust Agreement) free and clear of any lien, claim, encumbrance, or interest in such property of any other person or entity (except as provided herein) in trust to and for the benefit of the Beneficiaries for the uses and purposes stated herein and in the Plan of Dissolution. In connection with the transfer of the Trust Assets to the Trust, all rights and causes of action and all Books and Privileges relating to such Trust Assets will be transferred to the Trust and vest in the Trustees solely in their capacity as such. Effective as of the Effective Date, the Trustees will have all the rights, powers and duties set forth in the Trust Agreement and pursuant to applicable law for accomplishing the purposes of the Trust.

The Trust shall be dissolved at the earlier of (i) all of the Trust Assets having been distributed pursuant to the Plan of Dissolution and the Trust Agreement, or (ii) the Trustees or the Beneficiaries having aggregate Beneficial Interests (as defined in the Trust Agreement) of at least a majority of the total amount of Beneficial Interests approving the dissolutions of the Trust; provided, however, that in no event shall the Trust be dissolved later than three (3) years from the Effective Date unless the Trustees determine that a fixed-period extension (not to exceed two (2) extensions, each extension not to exceed eighteen (18) months) is necessary to facilitate or complete the recovery and liquidation of the Trust Assets; provided, further, that prior to making such extension, the Trustees shall have requested and received additional no-action assurances from the Securities and Exchange Commission regarding the registration and reporting requirements of the Trust under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other applicable federal securities act.

Banking Products and Services

Prior to the sale of substantially all of our assets to Bryn Mawr, we offered a range of commercial and other banking services, including secured and unsecured commercial real estate loans, construction and land development, owner occupied real estate loans, commercial and industrial loans and other commercial loans. We offered both commercial and consumer deposit accounts, including checking accounts, interest-bearing demand accounts, money market accounts, certificates of deposit, savings accounts, remote deposit services, lockbox services and individual retirement accounts (and other traditional banking services). Our commercial loans typically ranged between $250,000 and $3.0 million but customers may have borrowed significantly larger amounts up to our secured legal lending limit to one borrower of approximately $11.8 million. Also, individual customers may have had several loans often secured by different collateral, which were in total subject to that lending limit.

Our lending activities generally were focused on small and medium-sized businesses within the professional community. Commercial and construction loans were the most significant category of our outstanding loans, representing 96.7% of total loans outstanding at September 30, 2012. Repayment of these loans was, in part, dependent on general economic conditions affecting the Delaware and southeastern Pennsylvania community and the various businesses within the community. Although our management followed established underwriting policies and monitors loans, credit risk was inherent in our lending activities.

As a result of the transaction with Bryn Mawr, we will no longer operate as a bank. As more fully described above, any remaining assets not purchased and any liabilities not assumed by Bryn Mawr will be assigned to the Trust for disposition.

During the quarter ended September 30, 2012, the Company spent considerable efforts preparing for the transaction with Bryn Mawr. Accordingly, new loan production was almost non-existent, new deposit account opening was non-existent, in fact, considerable time was spent ensuring that deposit accounts not being assumed by Bryn Mawr were closed in an orderly and expeditious fashion. Loan balances decreased by $24.5 million from December 31, 2011 to September 30, 2012. The Company lowered interest rates being paid on transaction and time deposits, accordingly deposit run off was significant. Deposit balances decreased by $73.0 million from December 31, 2011 to September 30, 2012 The decrease in both loan and deposit balances was born by the Company's cash balances, which decreased by $50.6 million to $69.7 million at September 30, 2012 from $120.3 million at December 31, 2011. The Company closed the one branch not transferred to Bryn Mawr, reduced staffing and generally prepared to liquidate.

Financial Condition:

September 30, 2012 Compared to December 31, 2011

Total assets decreased $81.3 million to $175.9 million at September 30, 2012, compared to $257.3 million at December 31, 2011. This decrease reflected a $24.5 million decrease in loans receivable and decreases of $50.6 million in cash equivalents and $1.0 million in investment securities between those respective dates. These decreases are consistent with the Bank's efforts under its Strategic Plan as it winds down operations.

Loans and Loans held for sale:

The loan portfolio represents FBD's largest asset, and is its most significant source of interest income. At September 30, 2012 $90.6 million in loans were transferred into Loans held for sale. The remaining balance of $4.8 million represents loans not sold as part of the Bryn Mawr transaction. These loans will be collected or sold and have been transferred to loans held for sale at the net realizable value, establishing a new cost basis. Combined Loans and Loans held for sale decreased by $24.5 million from the Net Loan balance of $120.0 million at December 31, 2011. Our loan portfolio consists of secured and unsecured commercial loans including commercial real estate loans, loans secured by one-to-four family residential property, commercial construction, residential construction, as well as residential mortgages, home equity loans and other consumer loans. Commercial real estate loans comprise the majority of the loan portfolio.

Investment Securities:

Investment securities available-for-sale are investments that may be sold in response to changing market and interest rate conditions and for liquidity and other purposes. The investment securities available-for-sale consist primarily of U.S. Government agency issued mortgage backed securities. Available-for-sale securities totaled $3.2 million at September 30, 2012, a decrease of $1.0 million or 24.2%, from year-end 2011. The decrease mainly resulted from pay downs of mortgage-backed securities totaling $929,000. At September 30, 2012, and December 31, 2011, the portfolio had net unrealized gains of $297,000 and $389,000, 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 decreased by $50.6 to $69.7 million at September 30, 2012 from $120.3 million at December 31, 2011 reflecting decreased deposit balances.

Restricted Bank Stock:

FBD is a member of the Federal Home Loan Bank of Pittsburgh ("FHLB") and, as such, has been required to maintain stock at FHLB in proportion to its outstanding FHLB advances. In November of 2011 FBD borrowed $40.0 million from the FHLB. As a result of this borrowing we were required to increase our stock holdings which amounted to $2.0 million at September 30, 2012 and December 31, 2011. In November 2012 the FHLB borrowings were repaid.

During the third quarter of 2009, FBD purchased $60,000 shares of stock in Atlantic Central Bankers Bank ("ACBB") as a support to our line of credit with ACBB. The stock totaled $60,000 at September 30, 2012 and December 31, 2011. This amount is included in "Restricted Stock" on our balance sheet.

Premises and Equipment:

Bank premises and equipment, net of accumulated depreciation was $367 thousand at September 30, 2012 and $2.2 million at December 31, 2011. The decrease, as noted above, reflects the impairment charge of $1.6 million for the liquidation adjustment.

Bank Owned Life Insurance:

The income earned on these policies is reflected in non-interest income. Bank owned life insurance amounted to $1.6 million at September 30, 2012 and December 31, 2011.

Other Real Estate Owned

At September 30, 2012 no properties were held as other real estate owned.

Other Assets:

Other assets decreased by $3.4 million to $3.1 million at September 30, 2012, compared to $6.5 million at December 31, 2011 due to tax refunds received. FBD had no intangible assets on its balance sheet at September 30, 2012 or December 31, 2011.

Deposits:

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

Total deposits decreased by $73.4 million to $94.9 million at September 30, 2012, from $168.3 million at December 31, 2011. Transaction account deposits between these dates decreased $67.8 million or 58.7% from December 31, 2011. The decrease reflected the expected deposit loss as we have exited certain lines of business. Time deposits decreased $5.6 million to $47.2 million at September 30, 2012, compared to $52.8 million at December 31, 2011.

Other Liabilities:

Accrued interest payable, accrued expenses and other liabilities, in the aggregate, increased $21.9 million to $24.8 million at September 30, 2012, compared to $2.9 million at December 31, 2011. Included in this number is the $15.5 million accrual of the settlement charges relative to the government's allegations and the accrual of liquidation costs of $5.7 million

Results of Operations:

Three Months Ended September 30, 2012 compared to September 30, 2011

Overview

Our results of operation resulted in a net loss of $25.2 million or ($2.21) per diluted share for the three months ended September 30, 2012, compared to a net income of $358,000, or $0.03 per diluted share for the comparable prior year period. The $25.6 million decrease in net income reflected a $716,000 decrease in net interest income, a reduction of $2.2 million in loan loss provision, a reduction of $1.5 million in non-interest income, and an increase in non-interest expenses of $25.4 million. These were the primary factors which resulted in a return on average assets and average equity of (50.51)% and (249.68)% respectively, in the third quarter of 2012 compared to 0.63% and 2.98% respectively for the same period in 2011.

Analysis of Net Interest Income

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

The following table presents our average balance sheets, interest income and expense, and yields and rates on interest earning assets and interest bearing liabilities, for the three months ended September 30, 2012 and 2011.

	For the three months ended September 30, 2012			For the three months ended September 30, 2011		
Interest-earning assets:						
(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	$ 81,366	$ 49	0.24%	$ 68,760	$ 40	0.24%
Securities	2,990	44	5.89%	4,051	58	5.68%
Loans receivable	98,251	1,395	5.63%	132,245	1,933	5.80%
Total interest-earning assets	182,607	1,488	3.27%	205,056	2,031	3.93%
Other assets	15,680			21,713		
Total assets	$ 198,287			$ 226,769		
Interest-bearing liabilities:						
Demand-non interest bearing	$ 18,946			$ 96,656		
Demand interest-bearing	1,217	$ 0	0.05%	1,999	$ 5	0.96%
Money market & savings	40,765	49	0.48%	45,729	136	1.18%
Time deposits	53,682	158	1.18%	31,411	97	1.23%
Total deposits	114,610	207	0.73%	175,795	238	0.54%
Total interest-bearing deposits	95,664	207	0.87%	79,139	238	1.20%
Other borrowings	40,000	247	2.48%	-	-	0.00%
Total interest-bearing liabilities	$ 135,664	$ 454	1.34%	$ 79,139	$ 238	1.20%
Total deposits and borrowings	154,610	454	1.18%	175,795	238	0.54%
Non interest-bearing liabilites	3,561			3,256		
Shareholders' equity	40,116			47,718		
Total liabilities and shareholders' equity	$ 198,287			$ 226,769		
Net interest income		$ 1,034			$ 1,793	
Net interest spread			1.93%			2.74%
Net interest margin			2.25%			3.47%

The rate volume table below presents an analysis of the impact on interest income and expense resulting from changes in average volumes and rates from the three months ended September 30, 2011 to the three months ended September 30, 2012. Changes due to rate and volume variances have been allocated to rate.

Rate/Volume Table

	Three months ended September 30, 2012 versus September 30, 2011 (dollars in thousands) Due to change in:		
	Volume	Rate	Total
Interest earned on:			
Federal funds sold and other interest earning assets	$ 8	$ 1	$ 9
Securities	(16)	2	(14)
Loans receivable	(483)	(55)	(538)
Total interest-earning assets	(491)	(52)	(543)
Interest expense of deposits:			
Interest-bearing demand deposits	-	(5)	(5)
Money market and savings	(6)	(81)	(87)
Time deposits	66	(5)	61
Total deposit interest expense	60	(91)	(31)
Other borrowings	247	-	247
Total interest expense	307	(91)	216
Net interest income	$ (798)	$ 39	$ (759)

The net interest margin decreased 122 basis points to 2.25% for the three months ended September 30, 2012, compared to the prior year comparable period. The majority of the decrease resulted from a decrease in loan yields reflecting the decreased volume of loans. The average rate paid on interest-bearing liabilities decreased 33 basis points to 0.87% for the three months ended September 30, 2012, from 1.20% in the prior year comparable period.

Net interest income decreased $759,000, to $1.0 million for the three months ended September 30, 2012, from $1.8 million for the prior year comparable period.

Total interest income decreased $543,000, to $1.5 million for the three months ended September 30, 2012, from $2.0 million for the prior year comparable period. Interest and fees on loans decreased $538,000 to $1.4 million for the three months ended September 30, 2012, from $1.9 million for the prior year comparable period. The decrease reflected reduced loan volume and the rates therein. Interest and dividends on investment securities decreased $14,000 to $44,000 for the three months ended September 30, 2012, from $58,000 for the prior year comparable period. Federal funds sold and other interest-earning assets income increased $9,000, to $49,000 in the third quarter of 2012, compared to $40,000 in the third quarter of 2011.

Total interest expense increased $216,000, to $454,000 for the three months ended September 30, 2012, from $238,000 for the prior year comparable period. This increase reflected the impact of higher levels of interest bearing liabilities, primarily FHLB borrowings, which offset lower interest rates on the cost of interest-bearing deposits. Average interest-bearing liabilities increased $56.5 million, to $135.6 million in the third quarter of 2012, from $79.1 million in the third quarter of 2011.

Provision for Loan Losses

The allowance for losses was reversed as a result of the transfer of loans into the held for sale category, which requires loans to be recorded at fair value; therefore, no allowance is deemed necessary. Pursuant to the terms of the Amended Purchase and Assumption agreement with Bryn Mawr Trust, the Company transferred approximately $90.6 million in loans into the Loans held for sale category. The remaining balance of $4.8 million in loans is also classified as held for sale and the Company anticipates, will be collected or sold at par in the normal course before the termination of the Trust. The Company recorded a $1.9 million impairment charge related to discounts on loans being purchased by Bryn Mawr.

Non-Interest Income (Loss)

Total non-interest income (loss) decreased $2.6 million to ($1.4) million for the three months ended September 30, 2012, compared to $1.2 million for the prior year comparable period. The decrease reflected the exit from our cash management services which accounted for $802,000 of the decreased income between the periods. Consumer loan fees decreased by $372,000 between the periods from $372,000 at September 30, 2011 to $0 at September 30, 2012. A gain of $464,000 gains on deposits sold was offset by an impairment charge of $1.9 million on loans held for sale.

Non-Interest Expenses

Total non-interest expenses increased $24.6 million to $27.1 million for the three months ended September 30, 2012, compared to $2.5 million for the prior year comparable period. Salaries and employee benefits increased $117,000 to $611,000 for the three months ended September 30, 2012, from $494,000 for the prior year comparable period.

Occupancy expense increased $19,000 to $181,000 for the third quarter of 2012, compared to $162,000 for the third quarter of 2011. Depreciation expense, net of the impairment charge of $1.5 million, decreased $20,000 to $90,000 for the three months ended September 30, 2012, versus $110,000 for the prior year comparable period. The impairment charge was due to the liquidation adjustment.

Legal fees increased $690,000, to $1.1 million in the third quarter of 2012, compared to $375,000 in the third quarter of 2011 primarily due to expenses related to exiting product lines, regulatory matters and other legal issues incurred in 2012.

Data processing expenses increased $783,000 to $958,000 in the third quarter of 2012, compared to $175,000 in the third quarter of 2011 primarily due to termination fees associated with the wind down of banking activity taken in accordance with the 2012 Strategic Plan.

Professional expenses increased $89,000 to $199,000 in the third quarter of 2012, compared to $110,000 in the third quarter of 2011 primarily due to fees related actions taken in accordance with the 2011 Consent Order.

Cash management and money service expenses decreased $485,000 to $0 in the third quarter of 2012 from $485,000 in the third quarter of 2011. The decrease resulted from reduced expenses incurred in exiting these products.

Other expenses increased $21.9 million to $22.3 million for the three months ended September 30, 2012, from $417,000 for the prior year comparable period. The increase mainly resulted from a civil money penalty of $15.5 million, a liquidation accrual of $5.6 million and other asset writedowns of $1.3 million.

Provision for Income Taxes

FBD incurred a pretax loss of $25.2 million for which no tax benefit was taken in third quarter of 2012 compared to a $186,000 provision for income taxes in third quarter 2011. The variance of $186,000 is due to decreased taxable income of $2.9 million between the comparable periods.

Results of Operations:

Nine Months Ended September 30, 2012 compared to September 30, 2011

Overview

Our results of operations produced a loss of $29.8 million or $2.60 per diluted share for the nine months ended September 30, 2012, compared to income of $3.4 million, or $0.30 per diluted share for the comparable prior year period. As a result of program exits, declining loan and deposit volumes, and an overall drop in interest rates, net interest income decreased $3.7 million; provision for loan loss decreased $2.9 million; non-interest income decreased $9.6 million while operating expenses increased $25.8 million. The provision for income taxes decreased $2.8 million as a result of the operating losses. These were the primary factors which resulted in a return on average assets and average equity of (17.50)% and (92.33)% respectively, for the first nine months of 2012 compared to 1.98% and 9.79% respectively for the same period in 2011.

Analysis of Net Interest Income

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

The following table 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 nine months ended September 30, 2012 and 2011.

Interest-earning assets: (Dollars in thousands)	For the nine months ended September 30, 2012 Average Balance	Interest Income/ Expense	Yield/ Rate	For the nine months ended September 30, 2011 Average Balance	Interest Income/ Expense	Yield/ Rate
Federal funds sold and other interest-earning assets	$ 102,662	$ 188	0.24%	$ 74,587	$ 138	0.25%
Securities	3,379	147	5.80%	4,346	188	5.77%
Loans receivable	105,250	4,531	5.76%	130,617	7,951	8.14%
Total interest-earning assets	211,291	4,866	3.08%	209,550	8,277	5.28%
Other assets	16,067			21,783		
Total assets	$ 227,358			$ 231,333		
Interest-bearing liabilities:						
Demand-non interest bearing	$ 33,012			$ 80,076		
Demand interest-bearing	1,549	$ 5	0.43%	2,021	$ 15	0.99%
Money market & savings	47,419	268	0.76%	73,148	629	1.15%
Time deposits	59,089	530	1.20%	25,003	251	1.34%
Total deposits	141,069	803	0.76%	180,248	895	0.66%
Total interest-bearing deposits	108,057	803	0.99%	100,172	895	1.19%
Other borrowings	40,000	398	1.33%	-	-	0.00%
Total interest-bearing liabilities	$ 148,057	$ 1,201	1.08%	$ 100,172	$ 895	1.19%
Total deposits and other borrowings	181,069	1,201	0.89%	180,248	895	0.66%
Non interest-bearing liabilites	3,205			4,322		
Shareholders' equity	43,084			46,763		
Total liabilities and shareholders' equity	$ 227,358			$ 231,333		
Net interest income		$ 3,665			$ 7,382	
Net interest spread			1.99%			4.09%
Net interest margin			2.32%			4.71%

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

	Nine months ended September 30, 2012 versus September 2011 (dollars in thousands) Due to change in:		
	Volume	Rate	Total
Interest earned on:			
Federal funds sold and other interest earning assets	$ 51	$ (1)	$ 50
Securities	(42)	1	(41)
Loans receivable	(1,092)	(2,328)	(3,420)
Total interest-earning assets	(1,083)	(2,328)	(3,411)
Interest expense of deposits:			
Interest-bearing demand deposits	(2)	(8)	(10)
Money market and savings	(147)	(214)	(361)
Time deposits	306	(27)	279
Total deposit interest expense	157	(249)	(92)
Other borrowings	398	-	398
Total interest expense	555	(249)	306
Net interest income	$ (1,638)	$ (2,079)	$ (3,717)

Our net interest margin decreased 239 basis points to 2.32% for the nine months ended September 30, 2012, versus the prior year comparable period. The majority of the decrease resulted from decreased loan yields due to the sale of our consumer installment loan portfolio in March of 2011. The loss of these interest earning assets resulted in a decrease of $2.4 million in interest income. Accordingly the average yield on interest earning assets decreased 220 basis points to 3.08% for the first nine months of 2012 from 5.28% for the comparable prior year period. The average rate paid on interest bearing liabilities decreased 11 basis points to 1.08% for the nine months ended September 30, 2012 from 1.19% in the prior year comparable period. Yields on total deposits increased 10 basis points, to 0.76% in the nine months ended September 30, 2012 from 0.66% in the prior year comparable period primarily as a result of a decrease in non-interest demand deposits.

Net interest income decreased $3.7 million, or 50.4%, to $3.7 million for the nine months ended September 30, 2012, from $7.4 million for the prior year comparable period. The decrease resulted primarily from exiting the consumer installment loan program. The decrease in our commercial loan portfolio of $21.4 million also contributed to the decrease in net interest income.

Total interest income decreased $3.4 million, or 41.2%, to $4.9 million for the nine months ended September 30, 2012, from $8.3 million for the prior year comparable period. The decrease reflected the sale of our consumer installment loans and decreases in our commercial loan balances. Interest and dividends on investment securities decreased $41,000, or 21.8%, to $147,000 for the nine months ended September 30, 2012, from $188,000 for the prior year comparable period. Federal funds sold income increased $50,000 to $188,000 in for the first nine months of 2012, compared to $138,000 in the comparable prior year period. The increase reflected higher average balances of federal funds sold as a result of excess liquidity. The yields were comparable between the respective periods.

Total interest expense increased $306,000, or 34.2%, to $1.2 million for the nine months ended September 30, 2012, from $895,000 for the prior year comparable period. That increase reflected the impact of higher levels of interest bearing liabilities which offset the lower interest rates paid for such liabilities which decreased 11 basis points to 1.08% in the nine months of 2012 from 1.19% in the nine months of 2011. Average interest bearing liabilities increased $47.9 million or 47.8%, to $148.1 million for the first nine months of 2012, from $100.2 million in the first nine months of 2011.

Provision for Loan Losses

The allowance for losses was reversed as a result of the transfer of loans into the held for sale category, which requires loans to be recorded at fair value; therefore, no allowance is deemed necessary. Pursuant to the terms of the Amended Purchase and Assumption agreement with Bryn Mawr Trust, the Company transferred approximately $90.6 million in loans into the Loans held for sale category. The remaining balance of $4.8 million in loans is also classified as held for sale and the Company anticipates, will be collected or sold at par in the normal course before the termination of the Trust. The Company recorded a $1.9 million impairment charge related to discounts on loans being purchased by Bryn Mawr.

Pursuant to the terms of the Amended Purchase and Assumption agreement with Bryn Mawr Trust, the Company moved approximately $90.6 million in loans into the Loans held for sale category. The remaining balance of $4.8 million in loans will be retained by the Liquidating Trust and, the Company anticipates, will be collected or sold at par in the normal course before the termination of the Trust. The Company recorded $1.9 million related to discounts on loans being purchased by Bryn Mawr. The Allowance for losses was reversed as part of the liquidation adjustment.

Non-Interest Income

Total non-interest income decreased $9.6 million to ($1.1) million for the nine months ended September 30, 2012, versus $8.4 million for the prior year comparable period. The decrease reflected the exit from our cash management services which accounted for $3.9 million of the decreased income between the periods. The cash management services include epayments and check casher services. Consumer loan fees decreased by $3.5 million between the periods going from $3.5 million at September 30, 2011 to $12,000 at September 30, 2012. We recognized a gain of $610,000 on the sale of the consumer loan portfolio in first quarter 2011 and a loss of $1.9 million in 2012 related to the loans sold to Bryn Mawr. A gain of $464,000 was recognized in 2012 on deposit accounts held for sale. Credit and prepaid card products have also been exited and related revenues decreased $243,000 from the prior year comparable period.

Non-Interest Expenses

Total non-interest expenses increased $25.8 million to $35.8 million for the nine months ended September 30, 2012, from $10.0 million for the prior year comparable period. Salaries and employee benefits decreased $1.0 million to $2.9 million for the nine months ended September 30, 2012, from $3.9 million for the prior year comparable period. The decrease primarily reflected reductions in personnel.

Legal fees increased $2.1 million to $2.6 million in the first nine months of 2012, compared to $506,000 in the comparable prior year period. The majority of the increase reflected legal fees related to regulatory matters, exiting product lines, and other legal issues.

Professional fees increased $2.2 million to $2.6 million in the first nine months of 2012, compared to $383,000 in the comparable prior year period. The increase primarily reflected consulting fees related to regulatory matters incurred in 2012.

Data processing expense increased $840,000 to $1.3 million in the first nine months of 2012 from $475,000 in the comparable prior year period primarily due to termination fees associated with the wind down of banking activity taken in accordance with the 2012 Strategic Plan.

Credit card program processing expense decreased to $148,000 in the first nine months of 2012, compared to $341,000 in the comparable prior year period. Though we have exited theses programs there were still costs incurred in 2012.

The FDIC assessment increased $96,000 to $367,000 in the first nine months of 2012, compared to $271,000 in the comparable prior year period. The increase resulted primarily from increases in our calculated base between the periods.

Cash management and money service expenses decreased $539,000 to $472,000 in the first nine months of 2011 compared to $1.0 million in the nine months of 2011. The decrease reflects reduced processing charges as we are no longer active in these programs.

Other expenses increased $21.0 million to $23.2 million for the nine months ended September 30, 2012, from $2.2 million for the comparable prior year period. The increase was primarily due to a civil money penalty of $15.5 million, a liquidation accrual of $5.6 million and other asset writedowns of $1.3 million.

Provision for Income Taxes

FBD incurred a pretax loss of $31.0 million which resulted in a tax benefit of $1.3 million in the first nine months of 2012 compared to a $1.8 million provision for income taxes in the prior year comparable period. The variance of $3.1 million is due to decreased taxable income of $36.2 million between the comparable periods.

Commitments, Contingencies and Concentrations

FBD is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit totaling $8.1 million at September 30, 2012. These instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. These commitments will be transferred to Bryn Mawr along with the related outstanding loan balances.

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 $0 and $17.8 million and standby letters of credit of approximately $0 and $300,000 at September 30, 2012, and December 31, 2011, respectively. The decrease in commitments was due to decreases in commercial lending and liquidation of the Company.

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 September 30, 2012, and December 31, 2011:

	Actual		**For Capital Adequacy Purposes**		**To be well capitalized under regulatory capital guidelines**	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
At September 30, 2012						
Total risk based capital	$16,050	16.81%	$7,638	8.00%	$9,547	10.00%
Tier one risk based capital	16,050	16.81	3,819	4.00	5,728	6.00
Tier one leverage capital	16,050	8.10	7,924	4.00	9,904	5.00
At December 31, 2011						
Total risk based capital	$47,394	36.38%	$10,421	8.00%	$13,027	10.00%
Tier one risk based capital	45,758	35.13	5,211	4.00	7,816	6.00
Tier one leverage capital	45,758	17.90	10,222	4.00	12,778	5.00

We currently exceed the levels required for a bank to be classified as "well capitalized". However, the FDIC may consider other criteria when determining such classifications, which criteria could result in a downgrading in such classifications.

Liquidity

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

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

Our most liquid assets, consisting of cash and due from banks, interest-bearing deposits with banks and federal funds sold, totaled $69.7 million at September 30, 2012, compared to $120.3 million at December 31, 2011. 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 September 30, 2012, we had aggregate outstanding commitments (including unused lines of credit and letters of credit) of $8.1 million. Time deposits scheduled to mature in one year totaled $39.8 million at September 30, 2012. The Company anticipates that, given the pending transaction with BMTC it will have sufficient funds available to meet its current commitments.

Our target and actual liquidity levels are determined by comparisons of the estimated repayment and marketability of our interest-earning assets with projected future outflows of deposits and other liabilities. We have a line of credit with the FHLB with an approximate September 30, 2012 maximum borrowing capacity of $40.0 million. We have also established a rarely used contingency line of credit with a correspondent bank to assist in managing our liquidity position. A total of $4.0 million was available under that line of credit at September 30, 2012. As of September 30, 2012, we had borrowings of $40.0 million from the FHLB line. This amount was repaid in November 2012. The Company paid a $171 thousand prepayment penalty.

Investment Securities Portfolio

At September 30, 2012, FBD had identified certain investment securities that are being held for indefinite periods of time, including securities that will be used as part of our asset/liability management strategy and that may be sold in response to changes in interest rates, prepayments and similar factors. These securities are classified as available for sale and are intended to increase the flexibility of our asset/liability management. Available for sale securities consisted primarily of U.S. Government Agency securities. The book and market values of investment securities available for sale were approximately $2.9 million and $3.2 million as of September 30, 2012. The net unrealized gain on investment securities available for sale as of that date was $297,000.

Loan Portfolio

Our loan portfolio consists of secured and unsecured commercial loans including commercial real estate loans, loans secured by one-to-four family residential property, commercial construction, residential construction, as well as residential mortgages, home equity loans, consumer installment loans, and other consumer loans. Commercial loans are primarily term loans made to small to medium-sized businesses and professionals for working capital, asset acquisition and other purposes. Commercial loans are originated as either fixed or variable rate loans with typical terms of 1 to 5 years. Our commercial loans typically range between $250,000 and $3,000,000 but customers may borrow significantly larger amounts up to the secured legal lending limit of approximately $10.2 million at September 30, 2012. Individual customers may have several loans often secured by different collateral. Net loans, including loans held for sale decreased $24.5 million, to $95.5 million at September 30, 2012, from $120.0 million at December 31, 2011.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the nine months ended September 30, 2011, and the year ended December 31, 2011 is as follows:

(dollars in thousands)	**For the year ended December 31, 2011**	**For the nine months ended September 30, 2011**
Balance at beginning of period………………..	$ 2,295	$ 2,295
Charge-offs:		
Commercial and commercial real estate…….	749	749
Construction and land development……….	-	-
Credit cards………..………………….	-	-
Consumer installment loans……………….	66	-
Consumer ………………………………….	-	-
Total charge-offs	815	749
Recoveries:		
Commercial and commercial real estate….	64	64
Credit cards…..……..……………….	-	-
Consumer installment loans…..……….	-	-
Consumer……………………….....……	-	-
Total recoveries………………..	64	64
Net charge-offs ………………….………….	751	685
Provision for loan losses………………………..	670	670

Balance at end of period…………………..	$2,214	$ 2,280
Average loans outstanding (1)…………....	$128,451	$130,617
As a percent of average loans (1):		
Net charge-offs (annualized)………………	0.58%	0.70%
Provision for loan losses (annualized)…	0.52%	0.70%
Allowance for loan losses……………….	1.72%	1.75%
Allowance for loan losses to:		
Total loans, net of unearned income at period end	1.81%	1.76%
Total non-performing loans at period end	0.00%	0.00%

(1) Includes non-accruing loans.

In the nine months of 2012, FBD charged off no loans. There were also no recoveries of previous charge offs.

At December 31, 2011, internally classified accruing loans totaled approximately $1.5 million and $1.9 million respectively. We had no delinquent loans at December 31, 2011.

Effects of Inflation

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

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4: CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our Acting Chief Executive 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 Acting Chief Executive 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 Acting Chief Executive 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 September 30, 2012 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

FDIC Order(s)

On December 28, 2011, we entered into a Stipulation and Consent Order with the FDIC. A description of the order is included under the heading, "First Bank of Delaware," in Part I, Item 1 of this report and is incorporated by reference in this item.

On October 9, 2008, we entered into a Cease and Desist Stipulation and Consent Order with the FDIC. A description of the order is included under the heading, "First Bank of Delaware," in Part I, Item 1 of this report and is incorporated by reference in this item.

Other Legal Proceedings

Representatives of the United States Attorney's Office for the Eastern District of Pennsylvania (the "U.S. Attorney"), the U.S. Treasury Department (the "Treasury") and the FDIC have demanded civil money penalties from the Bank for alleged violations of the Financial Institutions Reform, Recovery, and Enforcement Act, the Bank Secrecy Act, including with respect to requirements that the Bank establish and implement a reasonably designed anti-money laundering program, and related statutes in connection with the Bank's electronic payment ("E-Payment Programs") and money service businesses ("Money Services Businesses"). The Bank has terminated its E-Payment Programs and Money Services Businesses as required by an FDIC Consent Order issued in the fourth quarter of 2011. The demands of the FDIC and Treasury are in formal letters and the demands of the U.S. Attorney are informal at this point. The total demands by the Government presently are between $15 million and $20 million if there is a consensual agreement. The Bank expects to continue discussions with the Government in an attempt to reach an appropriate resolution regarding the Government's claims for civil monetary penalties and related matters, such as potential private claims based on the same factual allegations. The current proposed settlement regarding the Government's claims for civil money penalties includes a payment of $15 million in civil money penalties and $500,000 for restitution that will satisfy the outstanding claims of the U.S. Attorney, the Treasury and the FDIC as described above. In exchange for the payment of the civil money penalties, the FDIC will terminate the 2008 and 2011 Consent Orders. The amount ultimately payable could be higher or lower than the present proposed settlement amount and could involve administrative proceedings and litigation in court.

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

ITEM 1A: RISK FACTORS

Except for an addition of the following risk factor, there have been no material changes in the risk factors described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011.

Representatives of the U.S. Attorney's Office for the Eastern District of Pennsylvania have advised the Bank that the U.S. Attorney intends to pursue legal action against the Bank and certain affiliates for alleged violations of federal law.

Representatives of the United States Attorney's Office for the Eastern District of Pennsylvania (the "U.S. Attorney"), the U.S. Treasury Department (the "Treasury") and the FDIC have demanded civil money penalties from the Bank for alleged violations of the Financial Institutions Reform, Recovery, and Enforcement Act, the Bank Secrecy Act, including with respect to requirements that the Bank establish and implement a reasonably designed anti-money laundering program, and related statutes in connection with the Bank's electronic payment ("E-Payment Programs") and money service businesses ("Money Services Businesses"). The Bank has terminated its E-Payment Programs and Money Services Businesses as required by an FDIC Consent Order issued in the fourth quarter of 2011. The demands of the FDIC and Treasury are in formal letters and the demands of the U.S. Attorney are informal at this point. The total demands by the Government presently are between $15 million and $20 million if there is a consensual agreement. The Bank expects to continue discussions with the Government in an attempt to reach an appropriate resolution regarding the Government's claims for civil monetary penalties and related matters, such as potential private claims based on the same factual allegations. The current proposed settlement regarding the Government's claims for civil money penalties includes a payment of $15 million in civil money penalties and $500,000 for restitution that will satisfy the outstanding claims of the U.S. Attorney, the Treasury and the FDIC as described above. In exchange for the payment of the civil money penalties, the FDIC will terminate the 2008 and 2011 Consent Orders. The amount ultimately payable could be higher or lower than the present proposed settlement amount and could involve administrative proceedings and litigation in court.

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

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: MINE SAFETY DISCLOSURES

None

ITEM 5: OTHER INFORMATION

None

ITEM 6: EXHIBITS

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

Exhibit No.

3.1 Amended Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Form 10-K filed on March 29, 2010).

3.2 Bylaws (incorporated by reference to Exhibit 3.2 to Form 10-K filed on March 29, 2010).

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

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

SIGNATURES

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

First Bank of Delaware

__/s/ Joseph J. Manion, Jr.____________
Joseph J. Manion, Jr.
Acting President and
Chief Executive Officer
(principal executive and financial officer)

Dated: November 14, 2012

CERTIFICATION

I, Joseph J. Manion, Jr., certify that:

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

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

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

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

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

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

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

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

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

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 14, 2012 /s/ Joseph J. Manion, Jr.
Joseph J. Manion, Jr.
Acting President and Chief Executive Officer
(principal executive and 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 September 30, 2012, as filed with the Federal Deposit Insurance Corporation by First Bank of Delaware ("FBD") on the date hereof (the "Report"), I, Joseph J. Manion, Jr., Acting President and Chief Executive Officer 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: November 14, 2012

By: /s/ Joseph J. Manion, Jr.
Joseph J. Manion, Jr.
Acting President and Chief Executive Officer
(principal executive and financial officer)