FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20429

FORM 10-Q

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

For the Quarterly Period Ended: **March 31, 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.
11,424,401 shares of Issuer's Common Stock, par value **$0.05 per share**, issued and outstanding as of May 14, 2012

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PART I - FINANCIAL INFORMATION

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First Bank of Delaware
Consolidated Balance Sheets
as of March 31, 2012 and December 31, 2011
(Dollars in thousands, except share and per share data)
(unaudited)

ASSETS:	March 31, 2012	December 31, 2011
Cash and due from banks	$ 5,647	$ 11,385
Interest bearing deposits with banks	113,872	108,887
Total cash and cash equivalents	119,519	120,272
Investment securities available for sale, at fair value	3,983	4,218
Restricted stock, at cost	2,099	2,099
Loans receivable (net of allowance for loan losses of $2,214 and $2,214, respectively)	107,099	119,966
Premises and equipment, net	2,086	2,175
Accrued interest receivable	468	503
Bank owned life insurance	1,565	1,562
Other assets	5,843	6,490
Total Assets	$ 242,662	$ 257,285
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Demand – non-interest-bearing	$ 36,692	$ 66,684
Demand – interest-bearing	1,558	2,260
Money market and savings	52,212	46,619
Time under $100,000	31,782	24,793
Time $100,000 or more	32,559	27,969
Total Deposits	154,803	168,325
Accrued interest payable	379	275
FHLB Borrowings	40,000	40,000
Accrued expenses	1,501	1,743
Other liabilities	1,016	928
Total Liabilities	197,699	211,271
Shareholders' Equity:		
Respective amounts as of March 31, 2012 and December 31, 2011:		
Common stock par value: $0.05;		
Shares authorized: 15,000,000;		
Shares issued and outstanding: 11,424,401	571	571
Additional paid in capital	13,588	13,583
Retained earnings	30,561	31,604
Accumulated other comprehensive income	243	256
Total Shareholders' Equity	44,963	46,014
Total Liabilities and Shareholders' Equity	$ 242,662	$ 257,285

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Operations
For the Three Months Ended March 31, 2012 and 2011
(Dollars in thousands, except per share data)
(unaudited)

	Three months ended March 31,	
	2012	**2011**
Interest income:		
Interest and fees on loans	$1,658	$1,819
Interest and dividend income on federal funds sold and other interest-earning balances	73	49
Interest and dividends on investment securities	55	67
Total interest income	1,786	1,935
Interest expense:		
Demand interest-bearing	4	5
Money market and savings	130	257
Time less than $100,000	89	38
Time $100,000 or more	93	46
Other borrowed funds	75	-
Total interest expense	391	346
Net interest income	1,395	1,589
Provision for loan losses	-	610
Net interest income after provision for loan losses	1,395	979
Non-interest income:		
Loan advisory and servicing fees	28	23
Service fees on deposit accounts	33	59
Bank owned life insurance	3	4
Insurance premium fee income	-	20
Total non-interest income	64	106
Non-interest expenses:		
Salaries and benefits	821	1,380
Occupancy	165	193
Depreciation and amortization	118	108
Legal	523	27
Professional expenses	202	39
Director's fees	114	54
Data processing and operational expenses	164	115
Federal Deposit Insurance Corporation insurance expense	123	95
Other real estate owned expenses	1	62
Delaware franchise tax	(83)	(92)
Other expenses	254	1,017
	2,402	2,998
Loss before income taxes	(943)	(1,913)
Benefit for income taxes	(319)	(646)
Loss from continuing operations	(624)	(1,267)
(Loss) income from discontinued operations net of tax	(419)	3,323
Net (loss) income	($1,043)	$2,056
(Loss) earnings per share (basic and diluted)		
Continuing operations	($0.05)	($0.11)
Discontinued operations	($0.04)	$0.29
Total (loss) earnings per share	($0.09)	$0.18

(See notes to unaudited consolidated financial statements)

FIRST BANK OF DELAWARE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the three months ended March 31, 2012 and 2011
(Dollars in thousands)
(Unaudited)

	Three months ended March 31,	
	2012	**2011**
Net (loss) income	$ (1,043)	$ 2,056
Other comprehensive (loss) income, net of tax:		
Unrealized losses on securities:		
Unrealized holding losses during the period	(20)	(29)
Tax effect on unrealized holding losses	7	10
Comprehensive (loss) income	$ (1,056)	$ 2,037

(See notes to unaudited consolidated financial statements)

FIRST BANK OF DELAWARE
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31, 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	–	5	–	–	5
Net loss	–	–	(1,043)	–	(1,043)
Other comprehensive loss, net of taxes of (7)	–	–	–	(13)	(13)
Balance March 31, 2012	$ 571	$ 13,588	$ 30,561	$ 243	$ 44,963

	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	–	17	–	–	17
Options exercised 5,500 shares	–	7	–	–	7
Net income	–	–	2,056	–	2,056
Other comprehensive loss, net of taxes of ($10)	–	–	–	(19)	(19)
Balance March 31, 2011	$ 571	$ 13,566	$ 32,086	$ 256	$ 46,479

(See notes to unaudited consolidated financial statements)

First Bank of Delaware
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2012 and 2011
(Dollars in thousands)
(unaudited)

	Three months ended March 31, 2012	Three months ended March 31, 2011
Cash flows from operating activities:		
Net (loss) income	$ (1,043)	$ 2,056
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Provision for loan losses	-	610
Stock compensation expense	5	17
Write down of other real estate owned	-	60
Gain on sale of loans	-	(610)
Depreciation and amortization	118	108
Amortization of premiums on investment securities	1	1
Increase in value of bank owned life insurance	(3)	(4)
Decrease (increase) in accrued interest receivable and other assets	689	(603)
Decrease in accrued interest payable, accrued expenses and other liabilities	(50)	(572)
Net cash (used in) provided by operating activities	(283)	1,063
Cash flows from investing activities:		
Principal collected on securities available for sale	214	313
FHLB stock redemption	-	20
Net decrease (increase) in loans	12,867	(6,935)
Proceeds from sales of other real estate owned	-	19
Proceeds from sales of loans	-	3,638
Paydowns of loans held for sale	-	2,460
Premises and equipment expenditures	(29)	(72)
Net cash provided by (used in) investing activities	13,052	(557)
Cash flows from financing activities:		
Net proceeds from exercise of stock options	-	7
Net (decrease) increase in demand, money market and savings deposits	(25,101)	12,119
Net increase (decrease) in time deposits	11,579	(2,911)
Net cashprovided by (used in) financing activities	(13,522)	9,215
Increase (decrease) in cash and cash equivalents	(753)	9,721
Cash and cash equivalents, beginning of period	120,272	77,823
Cash and cash equivalents, end of period	$ 119,519	$ 87,544
Supplemental disclosure:		
Interest paid	$ 287	$ 366
Taxes paid	$ -	$ 1,525

(See notes to unaudited consolidated financial statements)

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

We offer a high level of personalized service to both small and medium-sized businesses and consumer customers. We offer both commercial and consumer deposit accounts, including checking accounts, interest-bearing demand accounts, money market accounts, certificates of deposit, savings accounts, lockbox services and individual retirement accounts (and other traditional banking services). We actively solicit both non-interest and interest-bearing deposits from our borrowers.

We offer a broad range of loan and credit facilities to the businesses and residents of our service area, including secured and unsecured commercial loans and commercial real estate, construction loans and commercial and industrial loans. FBD has also made loans to finance insurance premiums, which have been 100% participated to third party investors. FBD is not currently originating loans to finance insurance premiums.

We also have the ability to offer automobile loans, home improvement loans, home equity and overdraft lines of credit, and other products. However, activity in these categories has been minimal, as we have emphasized commercial relationships.

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

2011 Consent Order

On December 28, 2011, First Bank of Delaware, referred to as the "Bank", entered into a Stipulation and Consent to the Issuance of a Consent Order (the "Stipulation") with the Federal Deposit Insurance Corporation (the "FDIC") agreeing to the issuance of a Consent Order (the "2011 Consent Order") by the FDIC. The 2011 Consent Order became effective on December 29, 2011. The description of the 2011 Consent Order set forth herein is qualified in its entirety by reference to the copy of the 2011 Consent Order filed as Exhibit 10.7 hereto and incorporated by reference to the Bank's Current Report on Form 8-K filed December 30, 2011. The 2011 Consent Order refers to unsafe and unsound banking practices and violations of law or regulation related to: management; board participation; strategic planning; compliance with the Bank Secrecy Act and related regulations; oversight of third parties; and the Bank's compliance management system and audit program. The Bank neither admitted nor denied any of the foregoing. The 2011 Consent Order will remain in effect until modified or terminated by the FDIC.

The 2011 Consent Order requires the Board of Directors of the Bank (the "Board") to ensure that the Bank's E-Payments Programs involving merchants were wound down and terminated by December 31, 2011, subject to the completion of obligations with respect to prior transactions. In addition, the 2011 Consent Order requires the Board to ensure that the Bank terminates relationships with, and services and products to, entities that qualify as Money Services Businesses on or before February 29, 2012. The 2011 Consent Order also requires the Bank to engage an independent firm acceptable to the FDIC to conduct a review of account and transaction activity for the period from January 2, 2010 to December 29, 2011 to determine whether suspicious activity was identified and reported in accordance with suspicious activity reporting requirements. The Board must ensure that reporting matters identified by the independent firm be addressed by the Bank within 30 days of receipt of the firm's report.

With respect to any matters that are submitted to the FDIC for approval or non-objection, as to which the FDIC provides comments to the Bank, the Board is required to resubmit to the FDIC for review, comment, non-objection or approval. If the Bank fails to address the FDIC's comments within 15 days, the Board must provide a comprehensive written explanation to the FDIC. The FDIC may then either (i) provide non-objection to the modifications proposed by the Board or (ii) instruct the Board to submit a Strategic Plan (as described below) within 90 days of the Board's receipt of such instruction.

The 2011 Consent Order provides that in lieu of undertaking the corrective actions discussed above under Operations Actions, the Board may, within 90 days of the issuance of the 2011 Consent Order, formulate and submit for FDIC approval, a written Strategic Plan to wind-down the operations of the Bank by, among other things, paying off, transferring and/or disposing of all of its liabilities in an orderly manner on or before December 31, 2012. The Strategic Plan must cover an operating period extending until such time as the Bank terminates its federal deposit insurance and surrenders its charter to the Delaware Office of the State Bank Commissioner (the "State Bank Commissioner"). The Board must evaluate and report to the FDIC and the State Bank Commissioner on performance under the Strategic Plan. In the event that the Board determines the Strategic Plan should be revised in any manner, proposed revisions may be submitted to the FDIC for review and approval.

The FDIC has granted the Bank a requested 30-day extension, until April 27, 2012, to comply with the provisions of both Article V of the 2011 Consent Order (relating to the Operational Plan) and Article XIII (relating to submission of a Strategic Plan).

On April 27, 2012, the Board of Directors of the Bank 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"). Under the terms of the Agreement the purchase price under the Agreement will be determined at the closing based on the amount of the deposit liabilities that are being assumed by Bryn Mawr and the outstanding principal balance of the loans being purchased.

The Agreement contains (a) customary representations and warranties of the Bank and Bryn Mawr, including, among others, with respect to corporate organization, corporate authority, required third party and governmental consents and approvals, and compliance with applicable laws, (b) covenants of the Bank to conduct its business in the ordinary course until the Transaction is completed, and (c) covenants of the Bank not to take certain actions relating to its business and operations until the Transaction is completed. The Bank has also agreed not to (i) solicit proposals relating to alternative business combination transactions or (ii) , subject to certain exceptions, enter into discussions concerning, or provide confidential information in connection with, any proposals for alternative business combination transactions.

Completion of the Transaction is subject to certain conditions, including, among others, approval of the Strategic Plan by the FDIC, approval of the Transaction and the dissolution and liquidation of the Bank by the stockholders of the Bank, governmental filings and regulatory approvals and expiration of applicable waiting periods, accuracy of specified representations and warranties of the other party, compliance with specified covenants, and obtaining third party consents in connection with the assumption by Bryn Mawr of certain contractual obligations of the Bank.

The Agreement also contains certain termination rights for the Bank and Bryn Mawr, as the case may be, applicable upon the occurrence or non-occurrence of certain events, including: a final, non-appealable denial of required regulatory approvals or an injunction prohibiting the Transaction; the failure, subject to certain conditions, to complete the Transaction by October 31, 2012; a breach by the other party that is not or cannot be cured within 30 days if such breach would result in a failure of the conditions to closing set forth in the Agreement; the failure to obtain FDIC approval of the Strategic Plan; and the failure of the Bank's stockholders to approve the Transaction and the dissolution and liquidation of the Bank by the required vote. If the Agreement is terminated under certain limited circumstances relating to an alternative business combination transaction, the Bank has agreed to pay Bryn Mawr a termination fee of $750,000.

The representations and warranties of each party set forth in the Agreement have been made solely for the benefit of the other party to the Agreement. In addition, such representations and warranties (a) are subject to materiality qualifications contained in the Agreement, which may differ from what may be viewed as material by investors, (b) were made only as of the date of the Agreement or such other date as is specified in the Agreement, and (c) may have been included in the Agreement for the purpose of allocating risk between the Bank and Bryn Mawr rather than establishing matters as facts. Accordingly, the Agreement is included with this filing only to provide investors with information regarding the terms of the Agreement, and not to provide investors with any other factual information regarding the parties or their respective businesses.

2008 Consent Order

On October 9, 2008, the Bank entered into a Cease and Desist Stipulation and Consent Order (the "2008 Order" and collectively with the 2011 Consent Order, the "Orders") with the Bank's primary federal regulator, FDIC. The 2008 Order required the Bank to exit certain programs, enhance its oversight of other programs, and develop business, operating and capital plans. The 2008 Order also required the Bank to pay a $304,000 civil money penalty and provide refunds to customers of approximately $700,000. The refunds to customers were made in 2009 by a third party with which the Bank had an agreement. At March 31, 2012, the Bank continued to carry a reserve on its balance sheet for this amount as the FDIC has not released FBD from potential liability. At March 31, 2012, FBD also had a cash deposit from the third party of $700,000 to cover the potential liability. For another program, a total of $85,000 was paid to customers, of which $37,000 was paid and expensed by the Bank in December 2008. The balance was

paid by a vendor. The $304,000 was recognized as an expense in the third quarter of 2008. The Bank paid $200,000 in reimbursements to consumers in the fourth quarter of 2010. This was recognized as an expense. As a result of discussions with the FDIC, all third party credit card relationships have been terminated. All third party installment loan relationships had been terminated, and we offered our installment loan product directly. Effective December 31, 2010, we discontinued offering consumer loans directly via the internet. All third party prepaid card products have been terminated and we terminated our prepaid card product. We hired a consultant to assist us in devising various plans to address concerns raised by the FDIC. These plans had been submitted to the FDIC for review. FBD has implemented the recommendations in the 2008 Order and recommendations made by the consultant. Some of these recommendations include the establishment of a program management office to better manage program implementation, improvement in the Bank's internal audit program, enhanced board reporting and a detailed oversight process for all programs, products and services. FBD was also required to develop and implement a comprehensive compliance management system. In addition, FBD was required to submit strategic, operating, management and capital plans to the FDIC as well as either quarterly or annual updates. Finally, FBD must also submit quarterly progress reports. As of the date of this report, all quarterly progress and other required reports have been filed timely with the FDIC. Failure to comply with the Order could result in more restrictive actions from the FDIC, including more restrictive enforcement actions.

Going Concern:

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Bank as a going concern. As indicated above, pursuant to the 2011 Consent Order, the Bank has filed a Strategic Plan with the FDIC that will provide for, subject to all regulatory and shareholder approvals, the dissolution of the Bank. Unless and until the requisite approvals are obtained, the financial statements of the Bank will be presented as if the Bank is a going concern. Accordingly the financial statements do not reflect adjustments in carrying values of assets and liabilities, the reported revenue and expenses, and the balance sheet classifications used, that would be necessary if the Bank were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

Note 2: Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

Use of Estimates:

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

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

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

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

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

necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

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

FBD is subject to claims, lawsuits and proceedings. FBD records liabilities for contingencies including legal costs when it is probable that a liability has been incurred before the balance sheet date and the amount can 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 earnings and financial condition.

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 US Attorney's Office for the Eastern District of Pennsylvania (the "U.S. Attorney") advised the Bank that the U.S. Attorney intends to pursue legal action against the Bank and certain of its affiliates for alleged violations of the Financial Institutions Reform, Recovery, and Enforcement Act and certain related actions in connection with the Bank's electronic payment ("E-Payment Programs") and money service businesses ("Money Service Businesses"). As previously disclosed, the Bank has terminated its E-Payment Programs and Money Service Businesses as required by the 2011 FDIC Consent Order. While the U.S. Attorney has not commenced legal proceedings against the Bank and the Bank expects to continue discussions with the U.S. Attorney regarding settlement of these matters, there can be no assurance that the Bank will be able to negotiate a settlement or the terms of any such settlement. Any settlement or other resolution of these matters could result in the payment of substantial fines, damages and other amounts by the Bank and potential injunctive relief against the Bank, each of which could have a material adverse effect on the Bank's financial condition and results of operations.

Also See Part II, ITEM 1: Legal Proceedings.

Risks and Uncertainties:

We are subject to federal and state regulations governing virtually all aspects of our activities, including, but not limited to, lines of business, liquidity, investments, the payment of dividends and others. Such regulations and the cost of adherence to such regulations can have a significant impact on earnings and financial conditions. Recent legislation, including the Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2010, and proposals for new legislation could significantly alter the regulatory framework on which we operate, and reduce the profitability of products we currently offer or which we plan to offer.

The Bank is currently assessing the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which was signed into law by President Obama on July 21, 2010. Among the key provisions of the Dodd-Frank Act is the creation of a Bureau of Consumer Financial Protection ("Bureau"), which is an independent bureau within the Federal Reserve System with broad authority to regulate the consumer finance industry including regulated financial institutions such as the Bank and non banks and others who are involved in the consumer finance industry. The Bureau is a new federal agency. The Bureau has exclusive authority through rulemaking, orders, policy statements, guidance and enforcement actions to administer and enforce federal consumer finance laws, to oversee non federally regulated entities, and to impose its own regulations and pursue enforcement actions when it determines that a practice is unfair, deceptive or abusive ("UDA"). The federal consumer finance laws have traditionally been interpreted, administered and enforced by different federal agencies, including the Federal Deposit Insurance Corporation ("FDIC") the current federal regulator of the Bank. The Treasury Secretary must determine a date, anywhere from six months to eighteen months after the enactment date of July 21, 2010, when all of the functions and responsibilities of the Bureau are transferred to it. While the Bureau has the exclusive power to interpret, administer and enforce federal consumer finance laws and UDA, the Dodd-Frank Act provides that the FDIC will continue to have examination and enforcement powers over the Bank relating to the matters within the jurisdiction of the Bureau because it has less than $10 billion in assets. The Dodd-Frank Act also gives state attorneys general the ability to enforce federal consumer protection laws.

The Bank continues to review the Dodd-Frank Act to determine its impact on the Bank. Many of the provisions will require the federal banking agencies to promulgate hundreds of regulations to implement its provisions. One provision amends the Electronic Fund Transfer Act (EFTA) to, among other things, give the Federal Reserve Board the authority to issue rules which are expected to limit debit-card interchange fees. While this restriction will not be applicable to the Bank due to its size, the impact of any restriction may set a market floor which could have negative competitive implications for the Bank.

While designed primarily to reform the financial regulatory system, the Dodd Frank Act also contains a number of corporate governance provisions that will affect public companies. The Dodd Frank Act requires the SEC to adopt rules which may affect the Bank's executive compensation policies and disclosure. It also exempts smaller issuers such as the Bank from the requirement, originally enacted under Section 404(b) of the Sarbanes-Oxley Act of 2002, that the Bank's independent auditor also attest to and report on management's assessment of internal control over financial reporting.

The Dodd-Frank Act could require the Bank to make material expenditures, in particular personnel training costs and additional compliance expenses, or otherwise adversely affect the Bank's business, financial condition, results of operations or cash flow. It could also require the Bank to change certain of its business practices, adversely affect its ability to pursue business opportunities the Bank might otherwise consider engaging in, cause business disruptions and/or have other impacts that are as of yet unknown to the Bank. Failure to comply with these laws or regulations, even if inadvertent, could result in negative publicity, fines or additional expenses, any of which could have an adverse effect on the Bank's business, financial condition, results of operations, or cash flow.

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

A third party of FBD had an account compromise event in 2009. As a member of Visa and Mastercard, FBD was responsible for amounts relating to this event. We have received the actual loss amount from VISA and MasterCard for the actual fraud losses and other costs. FBD paid this amount and has taken a charge of $1.5 million for its share of potential losses. FBD took a charge of $575,000 in the first quarter of 2011 and $500,000 in 2010 and $350,000 in 2009. We are seeking reimbursement of the loss amount from third parties and insurance, however recovery of any amounts are uncertain.

Stock Based Compensation:

We maintain a Stock Option Plan and Restricted Stock Plan (the "Plan") under which the Company may grant options, restricted stock or stock appreciation rights to the Company's employees, directors and certain consultants. As of March 31, 2012, 1.8 million shares of common stock had been available for issuance or transfer under the Plan. The Plan provides that the exercise price of each option granted equals the market price of the Company's stock on the date of grant. Any options granted vest within one to five years and have a maximum term of 10 years.

A summary of the activity related to the Company's stock options granted under the Plan during the three months ended March 31, 2012 and 2011 is presented below:

	For the Three Months Ended March 31,			
	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	43,000	1.69
Exercised	-	-	(5,500)	1.37
Forfeited	159,585	2.57	-	-
Outstanding, end of period	606,857	2.37	1,007,922	2.34
Options exercisable at period-end	472,857	2.58	559,922	2.63
Weighted average fair value of options granted during the period		$ 0.63		$ 0.64

	For the Three Months Ended March 31,	
	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 March 31, 2012.

	Options outstanding			Options exercisable	
Range of Exercise Prices	**Shares**	**Weighted Average remaining contractual life (years)**	**Weighted Average exercise price**	**Shares**	**Weighted Average Exercise Price**
$1.01 to $1.50	67,000	6.6	$ 1.30	36,000	$ 1.33
$1.51 to $1.99	103,000	9.1	1.73	-	-
$2.00 to $2.69	150,757	2.5	2.51	150,757	2.51
$2.70 to $3.10	286,100	3.6	2.78	286,100	2.78
	606,857		$ 2.37	472,857	$ 2.58

During the three months ended March 31, 2012, $5,000 was recognized in compensation expense for the Plan, compared to $17,000 in compensation expense for the three months ended March 31, 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 March 31, 2012, there were 134,000 unvested options with a fair value of $86,000 with $57,000 of that amount remaining to be recognized as expense. At March 31, 2012, the intrinsic value (the excess of the market price over the exercise price) of the 606,857 options outstanding was $125,990, while the intrinsic value of the 472,857 exercisable (vested) options was $34,920.

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 ("IFRS"). 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 June 2011, the FASB issued *ASU 2011-05 (Presentation of Comprehensive Income).* The provisions of this update amend FASB ASC Topic 220, *Comprehensive Income*, to facilitate the continued alignment of U.S. GAAP with International Accounting Standards. The Update prohibits the presentation of the components of comprehensive income in the statement of stockholder's equity. Reporting entities are allowed to present either: a statement of comprehensive income, which reports both net income and other comprehensive income; or separate statements of net income and other comprehensive income. Under previous GAAP, all 3 presentations were acceptable. Regardless of the presentation selected, the Reporting Entity is required to present all reclassifications between other comprehensive and net income on the face of the new statement or statements. The provisions of this Update are effective for fiscal years and interim periods beginning after December 15, 2011 for public entities. For nonpublic entities, the provisions are effective for fiscal years ending after December 15, 2012, and for interim and annual periods thereafter. The adoption of ASU 2011-05 did not have a material effect on our financial statements.

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 the Form 10-K as of December 31, 2011, First Bank of Delaware 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 first 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:

For the Three Months Ended March 31,	**2012**	**2011**
(In thousands of dollars)		
Revenue	$152	$5,688
(Loss) income before provision for income tax	(635)	4,425
(Benefit) Provision for income taxes	(216)	1,468
(Loss) income from discontinued operations, net of tax	(419)	2,957
Gain on disposal of discontinued operations	-	610
Provision for income tax	-	244
(Loss) gain on disposal of discontinued operations, net of tax	-	366
Discontinued operations, net of tax	($419)	$3,323

For the Three Months Ended March 31,	**2012**	**2011**
(In thousands of dollars)		
Cash flows from (used in) discontinued operation		
Net cash from (used in) operating activities	$3,819	$5,488
Net cash from (used in) investing activities	-	-
Net cash from (used in) 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 March 31 and December 31 in the following categories:	**2012**	**2011**
(In thousands of dollars)		
Assets of discontinued operations:		
Loans, net	-	$3,819
Investments and Other Assets	$20,753	21,078
Total assets of discontinued operations	$20,753	$24,897
Liabilities of discontinued operations:		

Deposits	$20,753	$24,897
Total liabilities of discontinued operations	$20,753	$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 March 31, 2012, and 2011, respectively, there were 436,857 and 700,372 options that were not included in the calculation of EPS because the option exercise price was greater than the average market price for the period.

The following table is a comparison of EPS for the three months ended March 31, 2012, and 2011.

	Three months ended March 31, 2012		2011	
Net (Loss) Income	($1,043,000)		$2,056,000	
	Shares	**Per Share**	**Shares**	**Per Share**
Weighted average shares o/s for the period ended	11,424,401		11,420,940	
Basic EPS		($0.09)		$0.18
Add common stock equivalents representing dilutive stock options	-		46,883	
Effect on basic EPS of dilutive CSE		$ -		$ -
Equals total weighted average Shares o/s and CSE (diluted)	11,424,401		11,467,823	
Diluted EPS		($0.09)		$0.18

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.

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 ("IFRS"). 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 below for the enhanced disclosures required by ASU No. 2011-04.

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.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2012 and December 31, 2011 are as follows:

Description	March 31, 2012	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
		(In Thousands)		
Government mortgage backed securities available for sale	$ 3,983	$ -	$ 3,983	$ -

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)		
Government mortgage backed securities available for sale	$ 4,218	$ -	$ 4,218	$ -

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2012 and December 31, 2011 are as follows:

Description	March 31, 2012	(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	$ 3,534	$ -	$ -	$ 3,534

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

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

Cash and Cash Equivalents (Carried at Cost):

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

Investment Securities:

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

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

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, and may be adjusted to reflect illiquidity and/or non-transferability, with such adjustment generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Subsequent to inception, management only changes level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the

capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows. The bank has never owned any Level 3 securities.

Loans Receivable (Generally Carried at Cost):

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, 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%.

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

Real estate properties acquired through, or in lieu of, foreclosure are to be sold and are initially recorded at fair value and subsequently carried at the lower of such initially recorded amount or fair value less estimated cost to sell. Fair value is based upon independent market prices or appraised value of the property. These assets are included as Level 3 fair values, based upon the lowest level of input, such as appraisals, that is significant to the fair value measurements.

Restricted Stock (Carried at Cost):

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

Accrued Interest Receivable and Payable (Carried at Cost):

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

Bank Owned Life Insurance:

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

Deposit Liabilities (Carried at Cost):

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

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

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

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

(Dollars in Thousands)	Carrying Amount	Fair Value	Fair Value Measurements (Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
			As of March 31, 2012		
Balance Sheet Data:					
Financial Assets:					
Cash and cash equivalents	$119,519	$119,519	$119,519	$ -	$ -
Investment securities available for sale	3,983	3,983	-	3,983	-
Restricted stock	2,099	2,099	2,099	-	-
Loans receivable, net	107,099	108,528	-	-	108,528
Bank owned life insurance	1,565	1,565	1,565	-	-
Accrued interest receivable	468	468	468	-	-
Financial Liabilities:					
Deposits:					
Demand, savings and money market	$90,462	$90,462	$90,462	$ -	$ -
Time	64,341	64,723	-	64,723	-
FHLB borrowing	40,000	39,985	-	39,985	-
Accrued interest payable	379	379	379	-	-
Off Balance Sheet Financial Instruments:					
Commitments to extend credit	$ -	$ -	$ -	$ -	$ -
Letters of credit	-	-	-	-	-

Balance Sheet Data:	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
			As of December 31, 2011		
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	-	-	-	-	-

Future Impairment Charges:

ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting for Impairment or Disposal of Long Lived Assets ASC 360 provides guidance on accounting for the impairment or disposal of long-lived assets. The methodology which should be followed in order to test for impairment considers the "recoverability" of an asset. Testing of long lived assets to be held is not necessarily an annual procedure. On April 27, 2012, the Board of Directors of the Bank 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. The Strategic Plan is also is subject to shareholder approval. Once the necessary approvals are received, the Bank will review all assets and liabilities for potential impairment. Impairment changes will be recorded if the carrying cost exceeds the fair value at the time of sale.

Note 7: Investment Securities:

Investment securities available for sale as of March 31, 2012 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental Mortgage Backed Securities	3,614	369	-	3,983
Total	$ 3,614	$ 369	$ -	$ 3,983

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 March 31, 2012, is as follows:

	Available for Sale	
(Dollars in thousands)	Amortized Cost	Estimated Fair Value

After 15 Years	$ 3,615	$ 3,983
Total	$ 3,615	$ 3,983

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.

Note 8: Loans and Allowance for Loan Losses:

(dollars in thousands)	As of March 31, 2012		As of December 31, 2011	
	Balance	% of Total	Balance	% of Total
Commercial and commercial real estate	$ 74,219	67.9	$ 82,278	67.3
Owner occupied commercial real estate	12,238	11.2	15,344	12.6
Construction and land development	19,204	17.6	21,079	17.2
	105,661	96.6	118,701	97.1
Consumer - other loans	3,679	3.4	3,517	2.9
Total loans	109,340	100%	122,218	100%
Less: allowance for loan losses	(2,214)		(2,214)	
Less: deferred fees	(27)		(38)	
Net loans	$ 107,099		$ 119,966	

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of March 31, 2012 and December 31, 2011:

March 31, 2012
(in thousands)

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and commercial real estate	$ 74,219	$ —	$ —	$ —	$ 74,219
Owner occupied commercial real estate	12,238	—	—	—	12,238
Construction and land development	17,497	—	1,707	—	19,204
Other consumer loans	3,679	—	—	—	3,679
Total	$ 107,633	$ —	$ 1,707	$ —	$ 109,340

December 31, 2011
(in thousands)

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and commercial real estate	$ 82,278	$ —	$ —	$ —	$ 82,278
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	$ 120,280	$ —	$ 1,938	$ —	$ 122,218

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

March 31, 2012
(in thousands)

	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Troubled Debt Restructurings			
Commercial real estate	1	$ 1,691	$ 1,691
Construction and land development	3	$ 2,173	$ 2,173

December 31, 2011
(in thousands)

	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Troubled Debt Restructurings			
Commercial real estate	1	$ 1,695	$ 1,695
Construction and land development	3	$ 1,945	$ 1,945

There were no troubled debt restructurings that subsequently defaulted.

As indicated in the table above, 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 March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011:

	At March 31, 2012 (in thousands)			Three Months Ended March 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	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	—	—	—	—	—
With an allowance recorded:					
Commercial and commercial real estate	$ 1,691	$ 1,691	$ 34	$ 1,693	$ 18
Owner occupied commercial real estate	—	—	—	—	—
Construction and land development	1,945	1,945	68	2,059	21
Consumer installment loans	—	—	—	—	—
Credit card loans	—	—	—	—	—
Other consumer loans	—	—	—	—	—
Total:					
Commercial and commercial real estate	$ 1,691	$ 1,691	$ 34	$ 1,693	$ 18
Owner occupied commercial real estate	$ —	$ —	$ —	$ —	$ —
Construction and land development	$ 1,945	1,945	68	2,059	21
Credit card loans	$ —	$ —	$ —	$ —	$ —
Other consumer loans	$ —	$ —	$ —	$ —	$ —

	At December 31, 2011 (in thousands)			Three Months Ended March 31, 2012 (in thousands)	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	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	—	—	—	—	—
Consumer installment loans	—	—	—	—	—
Credit card loans	—	—	—	—	—
Other consumer loans	—	—	—	—	—
With an allowance recorded:					
Commercial and commercial real estate	$ 1,695	$ 1,695	$ 34	$ 1,708	$ 18
CoOwner 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	$ 1,708	$ 18
Owner occupied commercial real estate	$ —	—	—	—	—
Construction and land development	$ 2,173	2,173	76	—	—
Consumer installment loans	$ —	$ —	$ —	$ —	$ —
Credit card loans	$ —	$ —	$ —	$ —	$ —
Other consumer loans	$ —	$ —	$ —	$ —	$ —

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 March 31, 2012 and December 31, 2011:

	March 31, 2012 (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	$ —	$ —	$ —	$ 74,219	$ 74,192	$ —
Owner occupied commercial real estate	—	—	—	12,238	12,238	—
Construction and land development	—	—	—	19,204	19,204	—
Other consumer loans	—	—	—	3,679	3,679	—
Total	$ —	$ —	$ —	$ 109,340	$ 109,340	$ —

	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	$ —	$ —	$ —	$ 82,278	$ 82,278	$ —
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	$	$	$	$122,218	$ 122,218	$ —

There were no loans on nonaccrual as of March 31, 2012 or December 31, 2011.

Allowance for Loan Losses

For the quarter ending March 31, 2012

2012	Commercial and Commercial Real Estate	Owner Occupied Commercial Real Estate	Construction and Land Development	Credit Card Loans	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 686	$ 209	$ 431	$ -	$ 28	$ 860	$ 2,214
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision	(26)	(54)	(82)	-	1	161	-
Ending balance	660	155	349	-	29	1,021	2,214
March 31, 2012							
Ending balance individually evaluated	34	-	68	-	-	-	102
collectively evaluated for impairment	626	155	281	-	29	1,021	2,112
Ending balance loans acquired with deteriorated credit	-	-	-	-	-	-	-

Allowance for Loan Losses

For the quarter ending March 31, 2011

2011	Commercial and Commercial Real Estate	Owner Occupied Commercial Real Estate	Construction and Land Development	Credit Card Loans	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 704	$ 175	$ 622	$ 2	$ -	$ 792	$2,295
Charge-offs	(749)	-	-	-	-		(749)
Recoveries	4	60	-	-	-		64
Provision	747	-	(33)	-	18	(122)	610
Ending balance	706	235	589	2	18	670	2,220
December 31, 2011							
Ending balance individually evaluated for	34	-	76	-	-	-	110
collectively evaluated for impairment	652	209	355	-	28	860	2,104
Ending balance loans acquired with deteriorated credit	-	-	-	-	-	-	-

Loans Receivable

	Commercial and Commercial Real Estate	Owner Occupied Commercial Real Estate	Construction and Land Development	Consumer	Unallocated	Total
March 31, 2012						
Ending balance individually evaluated for impairment	$ 1,691	$ -	$ 1,945	$ -	$ -	$ 3,636
Ending balance collectively evaluated for impairment	72,528	12,238	17,259	3,679	-	105,704
Ending balance loans acquired with deteriorated credit quality	-	-	-	-	-	-
December 31, 2011						
Ending balance individually evaluated for impairment	1,695	-	2,173	-	-	3,868
Ending balance collectively evaluated for impairment	80,583	15,344	18,906	3,517	-	118,350
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. At March 31, 2012, FBD had no foreign loans and no loan concentrations exceeding 10% of total loans except for credits extended to real estate operators and lessors in the aggregate amount of $45.9 million, which represented 42.0% of gross loans receivable at March 31, 2012. Various types of real estate are included in this category, including industrial, retail shopping centers, office space, residential multi-family and others. Loan concentrations are considered to exist when their amounts loaned to a multiple number of borrowers engaged in similar activities that management believes would cause them to be similarly impacted by economic or other conditions.

Included in loans are loans due from directors and other related parties of $584,000 and $582,000 at March 31, 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: our exposure to interest rate risk, credit risk associated with our lending activities, the adequacy of our allowance for loan losses, the impact and potential resolution of legal proceedings, general economic conditions, including their impact on capital expenditures; our ability to successfully introduce new, directly offered products, new service and product offerings by competitors and price pressures; regulation and litigation related to consumer financial products and banking; and similar items. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. FBD undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents FBD files from time to time with the FDIC, including FBD's Annual Report on Form 10-K for the year ended December 31, 2011.

Banking Products and Services

We offer a range of commercial and other banking services, including secured and unsecured commercial real estate loans, construction and land development, owner occupied real estate loans, commercial and industrial loans and other commercial loans. We offer 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 range between $250,000 and $3.0 million but customers may borrow significantly larger amounts up to our secured legal lending limit to one borrower of approximately $11.8 million. Also, individual customers may have several loans often secured by different collateral, which are in total subject to that lending limit.

Our lending activities generally are focused on small and medium-sized businesses within the professional community. Commercial and construction loans are the most significant category of our outstanding loans, representing 96.6% of total loans outstanding at March 31, 2012. Repayment of these loans is, in part, dependent on general economic conditions affecting the Delaware and southeastern Pennsylvania community and the various businesses within the community. Although our management follows established underwriting policies and monitors loans, credit risk is inherent in our lending activities.

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

Financial Condition:

March 31, 2012 Compared to December 31, 2011

Total assets decreased $14.6 million to $242.7 million at March 31, 2012, compared to $257.3 million at December 31, 2011. This decrease reflected a $12.9 million decrease in loans receivable and decreases of $753,000 in cash equivalents and $235,000 in investment securities between those respective dates.

Loans:

The loan portfolio represents FBD's largest asset, and is its most significant source of interest income. Net loans decreased $12.9 million or 10.7%, to $107.1 million at March 31, 2012, compared to $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. Commercial and commercial real estate loans

amounted to $86.4 million at March 31, 2012 compared to $97.6 million at December 31, 2011. Construction and land development loans amounted to $19.2 million and $21.1 million respectively, at those dates. The significant decreases in our loan portfolio were due to repayments and maturities of loans.

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 $4.0 million at March 31, 2012, a decrease of $235,000 or 5.6%, from year-end 2011. The decrease mainly resulted from pay downs of mortgage-backed securities totaling $214,000. At March 31, 2012, and December 31, 2011, the portfolio had net unrealized gains of $368,000 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 $753,000 to $119.5 million at March 31, 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 March 31, 2012 and December 31, 2011. The term of the borrowing is two years and therefore the stock requirement will remain in place for that period.

During the second quarter of 2009, FBD purchased $60,000 shares of stock in Atlantic Central Bankers Bank ("ACBB") as a support to our line of credit with ACBB. The stock totaled $60,000 at March 31, 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 $2.1 million at March 31, 2012 and $2.2 million at December 31, 2011.

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 March 31, 2012 and December 31, 2011.

Other Real Estate Owned

Other real estate owned is comprised of one property with no book value. The value of properties we held totaled $0 at March 31, 2012 and $0 at December 31, 2011.

Other Assets:

Other assets decreased by $647,000 to $5.8 million at March 31, 2012, compared to December 31, 2011 due to decreased receivables from third party vendors. FBD had no intangible assets on its balance sheet at March 31, 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 obtain deposits through relationships with our cash management and card product customers.

Total deposits decreased by $13.5 million to $154.8 million at March 31, 2012, from $168.3 million at December 31, 2011. Transaction account deposits between these dates decreased $25.1 million or 21.7% from December 31, 2011. The decrease reflected

the expected deposit loss as we have exited certain lines of business. Time deposits increased $11.5 million to $64.3 million at March 31, 2012, compared to $52.8 million at December 31, 2011.

Other Liabilities:

Accrued interest payable, accrued expenses and other liabilities, in the aggregate, remained flat between the periods at $2.9 million at March 31, 2012 and December 31, 2011 respectively.

Shareholders' Equity:

Total shareholders' equity decreased $1.0 million to $45.0 million at March 31, 2012, compared to $46.0 million at December 31, 2011. This decrease primarily reflected the net loss of $1.0 million.

Results of Operations:

Three Months Ended March 31, 2012 Compared to March 31, 2011

Overview

Our results of operation recorded a loss of $1.0 million or $0.09 per diluted share for the three months ended March 31, 2012, compared to a gain of $2.1 million, or $0.18 per diluted share for the comparable prior year period. The $3.1 million decrease in net income reflected a $2.5 million decrease in net interest income and a reduction of $3.9 million in non-interest income. The reductions in income were partially offset by reductions in expenses including a $1.1 million reduction in non-interest expenses, a $610,000 reduction in loan loss provision and reduction of $1.6 million in income tax provision. These were the primary factors which resulted in a return on average assets and average equity of (1.66)% and (9.21)% respectively, in the first quarter of 2012 compared to 3.49% and 18.19% respectively for the same period in 2011. Earnings were negatively impacted by our exit from the installment loan and cash management programs 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 March 31, 2012 and 2011.

Interest-earning assets:	For the three months ended March 31, 2012			For the three months ended March 31, 2011		
(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	$ 116,214	$ 73	0.25%	$ 81,348	$ 49	0.24%
Securities	5,866	55	3.74%	4,656	67	5.83%
Loans receivable	113,974	1,658	5.83%	124,354	4,112	13.41%
Total interest-earning assets	236,054	1,786	3.03%	210,358	4,228	8.15%
Other assets	16,004			28,286		
Total assets	$ 252,058			$ 238,644		
Interest-bearing liabilities:						
Demand-non interest bearing	$ 51,143			$ 72,694		
Demand interest-bearing	1,989	$ 4	0.81%	1,889	$ 5	1.07%
Money market & savings	50,369	130	1.04%	90,163	257	1.16%
Time deposits	60,305	182	1.21%	22,991	84	1.48%
Total deposits	163,806	316	0.77%	187,737	346	0.75%
Total interest-bearing deposits	112,663	316	1.13%	115,043	346	1.22%
Other borrowings	40,000	75	0.75%	-	-	0.00%
Total interest-bearing liabilities	$ 152,663	$ 391	1.03%	$ 115,043	$ 346	1.22%
Total deposits and borrowings	203,806	391	0.77%	187,737	346	0.75%
Non interest-bearing liabilites	2,816			5,075		
Shareholders' equity	45,436			45,832		
Total liabilities and shareholders' equity	$ 252,058			$ 238,644		
Net interest income		$ 1,395			$ 3,882	
Net interest spread			2.01%			6.93%
Net interest margin			2.37%			7.48%

The rate volume table below presents an analysis of the impact on interest income and expense resulting from changes in average volumes and rates from the three months ended March 31, 2011 to the three months ended March 31, 2012. Changes due to rate and volume variances have been allocated to rate.

Rate/Volume Table

	Three months ended March 31, 2012 versus March 31, 2011 (dollars in thousands) Due to change in:		
	Volume	Rate	Total
Interest earned on:			
Federal funds sold	$ 22	$ 2	$ 24
Securities	11	(23)	(12)
Loans	(151)	(2,303)	(2,454)
Total interest-earning assets	(118)	(2,324)	(2,442)
Interest expense of deposits			
Interest-bearing demand deposits	-	1	1
Money market and savings	102	25	127
Time deposits	(113)	15	(98)
Total deposit interest expense	(11)	41	30
Other borrowings	(75)	-	(75)
Total interest expense	(86)	41	(45)
Net interest income	$ (204)	$ (2,283)	$(2,487)

The net interest margin decreased 511 basis points to 2.37% for the three months ended March 31, 2012, compared to the prior year comparable period. The majority of the decrease resulted from a decrease in loan yields as we exited the installment loan program in first quarter of 2011. Decreased loan volume and an increase in lower yielding fed funds sold of $34.9 million further decreased the yield on interest earning assets. Without the consumer installment loans, net interest margins would have been approximately 3.07% in the first quarter of 2011. The average rate paid on interest-bearing liabilities decreased 19 basis points to 1.03% for the three months ended March 31, 2012, from 1.22% in the prior year comparable period.

Net interest income decreased $2.5 million, or 64.1%, to $1.4 million for the three months ended March 31, 2012, from $3.9 million for the prior year comparable period. The decrease resulted primarily from exiting the consumer installment loan program.

Total interest income decreased $2.4 million, or 57.8%, to $1.8 million for the three months ended March 31, 2012, from $4.2 million for the prior year comparable period. Interest and fees on loans decreased $2.4 million to $1.7 million for the three months ended March 31, 2012, from $4.1 million for the prior year comparable period. The decrease reflected our exit from the installment loan program and reduced loan volume. Interest and dividends on investment securities decreased $12,000 to $55,000 for the three months ended March 31, 2012, from $67,000 for the prior year comparable period. Federal funds sold income increased $24,000, or 49.0%, to $73,000 in the first quarter of 2012, compared to $49,000 in the first quarter of 2011. The increase reflected higher average federal funds sold balances as a result of interest bearing liability increases, as the fed funds yield was basically the same between the periods.

Total interest expense increased $45,000, or 13.0%, to $391,000 for the three months ended March 31, 2012, from $346,000 for the prior year comparable period. This increase reflected the impact of higher levels of interest bearing liabilities which offset lower interest rates on the cost of interest-bearing liabilities which decreased 19 basis points to 1.03% in the first quarter of 2012 from 1.22% in the first quarter of 2011. Average interest-bearing liabilities increased $37.7 million, or 32.8%, to $152.7 million in the first quarter of 2012, from $115.0 million in the first quarter of 2011.

Provision for Loan Losses

The provision for loan losses is charged to operations in an amount necessary to bring the total allowance for loan losses to a level that management determines is adequate to absorb losses inherent in our loan portfolio. The provision for loan losses was $0 for the three months ended March 31, 2012, compared to $610,000 for the prior year comparable period. This reflected a decrease in loan volume between the periods and the quality of the portfolio. Our provision for the three months ended March 31, 2012 reflected loan

volume, general economic factors, and the consideration of our primary regulator, the FDIC. Management continues to review our loan portfolio to determine the extent, if any, to which additional loss provisions may be necessary. There can be no assurance that the allowance for losses will be adequate to cover losses which may in fact be realized in the future and that additional provisions for losses will not be required.

Non-Interest Income

Total non-interest income decreased $3.9 million or 94.8%, to $216,000 for the three months ended March 31, 2012, compared to $4.1 million for the prior year comparable period. The decrease reflected the exit from our cash management services which accounted for $1.5 million of the decreased income between the periods. Consumer loan fees decreased by $1.7 million between the periods going from $1.7 million at March 31, 2011 to $11,000 at March 31, 2012. We recognized a gain of $610,000 on the sale of the consumer installment loan portfolio in first quarter 2011. Credit and prepaid card products have also been exited and income decreased $114,000 from the prior year comparable period.

Non-Interest Expenses

Total non-interest expenses decreased $1.1 million or 25.2% to $3.2 million for the three months ended March 31, 2012, compared to $4.3 million for the prior year comparable period. Salaries and employee benefits decreased $960,000 or 49.4%, to $1.0 million for the three months ended March 31, 2012, from $1.9 million for the prior year comparable period.

Occupancy expense decreased $28,000, or 14.5%, to $165,000 for the first quarter of 2012, compared to $193,000 for the first quarter of 2011. The decrease reflected decreases in maintenance cost and reduced rent as we exited our Lewes office lease.

Depreciation expense increased $10,000, or 9.3% to $118,000 for the three months ended March 31, 2012, versus $108,000 for the prior year comparable period. The increase was due to early retirement of assets.

Legal fees increased $558,000, to $585,000 in the first quarter of 2012, compared to $27,000 in the first quarter of 2011 primarily due to expenses related to exiting product lines, regulatory matters and other legal issues incurred in 2012.

Professional expenses increased $64,000, or 44.4%, to $208,000 in the first quarter of 2012, compared to $144,000 in the first quarter of 2011 primarily due to fees related regulatory matters.

Data processing and operational expense increased $49,000 or 42.6% to $164,000 in the first quarter of 2012, compared to $115,000.

Credit card program processing expenses decreased $26,000, or 23.4%, to $85,000 in the first quarter of 2012, compared to $111,000 in the first quarter of 2011. Though we have exited theses programs there were still costs incurred in 2012. These costs are expected to continue into the third quarter of 2012.

FDIC insurance expenses increased $28,000, or 29.5%, to $123,000 in the first quarter of 2012 from $95,000 in the first quarter of 2011. The increase resulted primarily from increases in our deposit base.

Cash management and money service expenses increased $268,000, or 170.7%, to $425,000 in the first quarter of 2012 from $157,000 in the first quarter of 2011. The increase resulted primarily from expenses incurred in exiting these products. The costs are expected to continue into the third quarter of 2012.

Delaware franchise tax decreased $247,000, or 150.6%, to $(83,000) in the first quarter of 2012 from $164,000 in the first quarter of 2011. The decrease resulted in a tax benefit and is the result of our loss for the first quarter in 2012.

Other expenses decreased $763,000, or 75.0% to $254,000 for the three months ended March 31, 2012, from $1.0 million for the prior year comparable period. The decrease was primarily due to a $575,000 charge taken in first quarter 2011 to resolve the remaining amount in the DAS matter.

Provision for Income Taxes

FBD incurred a pretax loss of $1.5 million which resulted in a tax benefit of $535,000 in first quarter of 2012 compared to a $1.1 million provision for income taxes in first quarter 2011. The variance of $1.6 million is due to decreased taxable income of $4.7 million between the comparable periods. The effective tax rate was approximately 34% in 2012 and 2011.

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 $16.2 million at March 31, 2012. These instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

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

Financial instruments whose contract amounts represent potential credit risk were comprised of commitments to extend credit of approximately $15.9 million and $17.8 million and standby letters of credit of approximately $280,000 and $300,000 at March 31, 2012, and December 31, 2011, respectively. The $1.9 million decrease in commitments was primarily due to decreases in commercial lending.

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

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

Regulatory Matters

The following table presents the FBD's capital regulatory ratios at March 31, 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 March 31, 2012						
Total risk based capital	$46,235	38.36%	$9,643	8.00%	$12,053	10.00%
Tier one risk based capital	44,720	37.10	4,821	4.00	7,232	6.00
Tier one leverage capital	44,720	17.76	10,072	4.00	12,590	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.

Our most liquid assets, consisting of cash and due from banks, interest-bearing deposits with banks and federal funds sold, totaled $119.5 million at March 31, 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 March 31, 2012, we had aggregate outstanding commitments (including unused lines of credit and letters of credit) of $16.1 million. Time deposits scheduled to mature in one year totaled $48.7 million at March 31, 2012. FBD anticipates that it will have sufficient funds available to meet its current commitments.

Our target and actual liquidity levels are determined by comparisons of the estimated repayment and marketability of our interest-earning assets with projected future outflows of deposits and other liabilities. We have a line of credit with the Federal Home Loan Bank of Pittsburgh with an approximate March 31, 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 March 31, 2012. As of March 31, 2012, we had borrowings of $40.0 million from the FHLB line.

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

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

Investment Securities Portfolio

At March 31, 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 $3.6 million and $4.0 million as of March 31, 2012. The net unrealized gain on investment securities available for sale as of that date was $368,000.

Loan Portfolio

Our loan portfolio consists of secured and unsecured commercial loans including commercial real estate loans, loans secured by one-to-four family residential property, commercial construction, residential construction, as well as residential mortgages, home equity loans, consumer installment loans, and other consumer loans. Commercial loans are primarily term loans made to small to medium-sized businesses and professionals for working capital, asset acquisition and other purposes. Commercial loans are originated as either fixed or variable rate loans with typical terms of 1 to 5 years. Our commercial loans typically range between $250,000 and $3,000,000 but customers may borrow significantly larger amounts up to the secured legal lending limit of approximately $11.8 million at March 31, 2012. Individual customers may have several loans often secured by different collateral. Net loans decreased $12.9 million, to $107.1 million at March 31, 2012, from $120.0 million at December 31, 2011.

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

(dollars in thousands)	As of March 31, 2012		As of December 31, 2011	
	Balance	% of Total	Balance	% of Total
Commercial and commercial real estate	$ 74,219	67.9	$ 82,278	67.3
Owner occupied commercial real estate	12,238	11.2	15,344	12.6
Construction and land development	19,204	17.6	21,079	17.2
	105,661	96.6	118,701	97.1
Consumer - other loans	3,679	3.4	3,517	2.9
Total loans	109,340	100%	122,218	100%
Less: allowance for loan losses	(2,214)		(2,214)	
Less: deferred fees	(27)		(38)	
Net loans	$ 107,099		$ 119,966	

Commercial Real Estate, Owner Occupied Commercial Real Estate and Construction and Land Development Loans. At March 31, 2012, our loans secured by commercial real estate amounted to $74.2 million and constituted 67.9% of our total loans at such date. In addition, at such date we had $12.2 million of loans secured by commercial real estate that was owner occupied and $19.2 million of loans involving residential and commercial construction, constituting 11.2% and 17.6%, respectively, of total loans at March 31, 2012.

Commercial and Commercial Real Estate

Our commercial real estate loan portfolio consists primarily of loans secured by office buildings, retail and industrial use buildings, strip shopping centers, hotels, mixed-use and other properties used for commercial purposes located in its market area. Personal guarantees from the business principals are generally obtained as additional collateral. Loans in our commercial real estate portfolio tend to be in an amount less than $2.0 million but will occasionally exceed that amount. At March 31, 2012, the average amount outstanding on our commercial real estate loans was $735,000. The four largest commercial real estate loans outstanding were $6.3 million, $5.1 million, $4.1 million and $3.1 million at March 31, 2012. During the three month period ended March 31, 2012, the commercial real estate loan portfolio decreased by $8.0 million, or 9.8% due primarily to loan payoffs and maturities which exceeded new loan originations during the period. During the three month period ended March 31, 2012, the average yield on our commercial real estate loans was 5.8%. Commercial real estate loans are much more likely to have adjustable interest rates than single-family residential mortgage loans, which adds to the interest rate sensitivity of commercial real estate loans and makes them attractive. At March 31, 2012, approximately 20.8% of our commercial real estate loans had adjustable interest rates.

Owner Occupied Commercial Real Estate

Our owner occupied commercial real estate loan portfolio consists primarily of loans secured by office buildings, retail and industrial use buildings, strip shopping centers, mixed-use and other properties in which the borrower purchases the property and occupies some or all of the building space. Personal guarantees from the business principals are generally obtained as additional collateral. Loans in our owner occupied commercial real estate portfolio tend to be in an amount less than $1.0 million but will occasionally exceed that amount. At March 31, 2012, the average amount outstanding on our owner occupied commercial real estate loans was $583,000. The largest owner occupied commercial real estate loans outstanding were $3.7 million and $1.7 million at March 31, 2012. During the three month period ended March 31, 2012, the owner occupied commercial real estate loan portfolio decreased by $3.1 million due primarily to loan repayments The majority of our owner occupied commercial real estate loans are fixed rate loans with an average term of approximately five years and an average rate of 6.3%.

Construction and Land Development

At March 31, 2012, our loan portfolio included $19.2 million of construction and land development loans. The majority of our loans, $13.4 million, are made for multi-family or commercial development while $5.8 million of the balance is being used to fund the construction of one to four family housing. At March 31, 2012, approximately 73.4% of the loans were variable rate loans usually with a floor rate. Four loans, with outstanding balances of $6.3 million, $2.3 million, $1.7 million and $1.0 million, respectively, at March 31, 2012, comprised 58.5% of our construction and land development loans at such date. A number of loans in this portfolio

have maturities of five years, though most of our recent originations have a stated maturity of one to three years. Personal guarantees from the business principals are generally obtained as additional collateral.

Consumer Loans

At March 31, 2012, our loan portfolio included $3.7 million of consumer loans, of which $3.2 million were home equity loans. These loans are for properties primarily located in our market area of Delaware and southeastern Pennsylvania. As of March 31, 2012 all the consumer loans have performed in accordance with their terms.

Loans secured by commercial real estate, owner occupied real estate, commercial and industrial property and construction and land development involve different risks than residential lending. These risks include larger loans to individual borrowers and loan payments that are dependent upon the successful operation of the project or the borrower's business. These risks can be affected by supply and demand conditions in the project's market area of rental housing units, office and retail space, warehouses, and other commercial space. As of March 31, 2012, none of our commercial loans were on non-accrual status and none of our commercial loans at such date were classified for regulatory reporting purposes. See "Note 8: Loans and Allowance for Loan Losses." As of March 31, 2012, $1.2 million, or 52.6% of our allowance for loan losses was allocated to commercial loans. In addition, at March 31, 2012 we held $0 of commercial real estate as real estate owned. During the three month period ended March 31, 2012, there were no charged off loans.

Our originations of commercial real estate, owner occupied real estate, commercial and industrial and construction loans, were evaluated in an effort to mitigate the additional risk in these types of loans. In our underwriting procedures, consideration was given to the stability of the property's cash flow history, future operating projections, current and projected occupancy levels, location, global cash flow of the borrowers and guarantors and physical condition. Generally, our practice in recent periods was to impose a debt service ratio (the ratio of net cash flows from operations before the payment of debt service to debt service) of not less than 115%. We also would evaluate the credit and financial condition of the borrower, and if applicable, the guarantor. Appraisal reports prepared by independent appraisers are obtained on each loan to substantiate the property's market value, and are reviewed by us prior to the closing of the loan.

Credit Quality

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

Loans, including impaired loans, are generally classified as non-accrual if they are past due as to maturity or payment of interest or principal for a period of more than 90 days, unless such loans are well-secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt.

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

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

As of March 31, 2012 and December 31, 2011, FBD reported no loans accruing, but past due 90 days or more; no restructured loans; no non-accrual loans; and no other real estate owned. As a result of the above, the Bank reported non-performing loans and non-performing assets of $0 at March 31, 2012 and $0 at December 31, 2011. Non-performing loans are composed of (i) loans that are on a nonaccrual basis; (ii) accruing loans that are 90 days or more past due and (iii) restructured loans. Non-performing assets are composed of non-performing loans and other real estate owned (assets acquired in foreclosure).

Problem loans consist of loans that are included in performing loans, but for which potential credit problems of the borrowers have caused management to have serious doubts as to the ability of such borrowers to continue to comply with present repayment terms. At March 31, 2012, there were no problem loans. Management believes that the appraisals and other estimates of the value of the collateral pledged against the non-accrual loans generally exceed the amount of its outstanding balances.

Other Real Estate Owned:

There was one property held in other real estate owned at March 31, 2012 and December 31, 2011 with no recorded book value.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the three months ended March 31, 2012, and 2011, and the year ended December 31, 2011 is as follows:

(dollars in thousands)	For the three months ended March 31, 2012	For the year ended December 31, 2011	For the three months ended March 31, 2011
Balance at beginning of period………………..	$ 2,214	$ 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	610
Balance at end of period…………………..	$ 2,214	$2,214	$ 2,220
Average loans outstanding (1)…………...	$113,974	$128,451	$124,354
As a percent of average loans (1):			
Net charge-offs (annualized)………………	0.00%	0.58%	2.20%
Provision for loan losses (annualized)……	0.00%	0.52%	1.96%
Allowance for loan losses………………...	1.94%	1.72%	1.79%
Allowance for loan losses to:			
Total loans, net of unearned income at period end	2.03%	1.81%	1.75%
Total non-performing loans at period end	0.00%	0.00%	0.00%

(1) Includes non-accruing loans.

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

At March 31, 2012, and December 31, 2011, internally classified accruing loans totaled approximately $1.7 million and $1.9 million respectively. We had no delinquent loans at March 31, 2012 and December 31, 2011.

Loans recorded that are impaired in accordance with ASC 310 totaled $3.6 million at March 31, 2012, and $3.9 million at December 31, 2011. There were no commitments to extend credit to any borrowers with impaired loans as of the end of the periods presented herein.

Management makes at least a quarterly determination as to an appropriate provision from earnings to maintain an allowance for loan losses that management believes is adequate to absorb losses inherent in our loan portfolio. The board of directors periodically reviews the status of all non-accrual and impaired loans and loans classified by regulators or the internal loan review officer, who reviews both the loan portfolio and overall adequacy of the allowance for loan losses. The board of directors also considers specific loans, pools of similar loans, historical charge-off activity, economic conditions and other relevant factors in reviewing the adequacy

of the loan loss reserve. Any additions deemed necessary to the allowance for loan losses are charged to operating expenses. We have an existing loan review program, which monitors the loan portfolio on an ongoing basis.

We have an existing loan review program through which we monitor the loan portfolio on an ongoing basis. In addition, FBD conducts monthly loan review meetings where it reviews all construction loans and all loans on its watch and classified list. The results of these meetings are submitted to the board of directors.

Estimating the appropriate level of the allowance for loan losses at any given date is difficult, particularly in a continually changing economy. In our opinion, the allowance for loan losses was appropriate at March 31, 2012. However, there can be no assurance that, if asset quality deteriorates in future periods, additions to the allowance for loan losses will not be required.

At March 31, 2012 and December 31, 2011, the allowance for loan losses included an unallocated component of $1.0 million and $860,000, respectively. Management considers this unallocated component to be appropriate given the unknown future of the Bank and potential impact that the Strategic Plan may have on loan values.

It is not feasible to determine in which loan category future charge-offs and recoveries may occur. The entire allowance for loan losses is available to absorb loan losses in any loan category. The majority of the loan portfolio represents loans made for commercial purposes, while significant amounts of residential property may serve as collateral for such loans. FBD attempts to evaluate larger loans individually, on the basis of its loan review process, which scrutinizes loans on a selective basis, and other available information. Even if all commercial purpose loans could be reviewed, there is no assurance that information on potential problems would be available. At March 31, 2012, loans classified as commercial and construction, and consumer purposes respectively, amounted to $105.6 million and $3.7 million.

Effects of Inflation

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

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 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 March 31, 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.

DAS, WAC and Browning

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

In July 2009, we became aware that DAS had not maintained its network according to the security standards prescribed by Visa and MasterCard. As a consequence of this security breach, substantial numbers of fraudulent transactions were implemented over DAS's computer network. Because we were DAS's sponsoring member, we would be responsible to Visa and MasterCard for any losses on these transactions on DAS's network. We promptly terminated our business arrangement with DAS.

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

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

WAC disputes that it owed any money to us. Consequently, WAC filed suit seeking the return of the money withheld by us, as well as damages that it purportedly sustained as a result of our cancellation of its relationship with WAC. WAC is seeking damages both for the disputed fees owed by it to us and for purported damages to its relationships with its customers who offer ATM services over the Visa and MasterCard network. This case was consolidated with the DAS case. After consolidation the court ordered the plaintiffs in the consolidated case to file a consolidated complaint by mid-March. The case was dismissed with prejudice, by stipulation of the parties, on August 2, 2011.

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

The case was dismissed by the Court in January 2011 and the time for an appeal to be filed has expired. In July 2011, Browning along with two new plaintiffs filed an identical putative class action in the Philadelphia County Court of Common Pleas of Pennsylvania. The case was removed to federal court. We have filed a motion to dismiss, which has not yet been decided.

Check 'N Go

On April 26, 2007, the San Francisco City Attorney filed a complaint in the name of the People of the State of California in the Superior Court of the State of California, County of San Francisco, against First Bank of Delaware, Monetary Management of California, Inc. and Money Mart Express, Inc., and Check 'N Go of California, Inc. and its affiliated companies.

The complaint alleges that the defendants engaged in unlawful, unfair and deceptive business practices in violation of California Business and Professions Code section 17200. Specifically, the complaint alleges that the Check 'N Go and Money Mart defendants engaged in such unlawful and deceptive business practices by either themselves making installment loans under the guise of marketing and servicing for us or by brokering installment loans made by us in California in violation of the prohibition on usury contained in the California Constitution and the California Finance Lenders Law, as well as other violations of the California Finance Lenders Law

and the California Deferred Deposit Transaction Law. The complaint alleges that we aided and abetted these claimed violations. The complaint seeks broad injunctive relief as well as civil penalties. Defendants have denied the allegations of the complaint.

On January 5, 2009, the San Francisco City Attorney filed a First Amended Complaint, which, among other things, added a claim that short-term deferred deposit loans made by us that were marketed and serviced by the Money Mart defendants, violated the California Deferred Deposit Transaction law and that we aided and abetted this violation.

On April 2, 2009, we answered the First Amended Complaint denying all of the material allegations. Since then, the parties have continued to participate in the discovery process, with us and the other defendants responding to discovery requests served by the City Attorney. It is expected that the discovery process will continue well into 2010. No trial date has been set.

Discovery in this case is ongoing and the court has approved a joint request to extend the deadline for trial on the liability phase only, to commence on or before November 19, 2012.

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

Other Legal Proceedings

Representatives of the United States Attorney's Office for the Eastern District of Pennsylvania (the "U.S. Attorney") advised the Bank that the U.S. Attorney intended to pursue legal action against the Bank and certain of its affiliates for alleged violations of the Financial Institutions Reform, Recovery, and Enforcement Act and certain related actions in connection with the Bank's electronic payment ("E-Payment Programs") and money service businesses ("Money Service Businesses"). As previously disclosed, 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. While the U.S. Attorney has not commenced legal proceedings against the Bank and the Bank expects to continue discussions with the U.S. Attorney regarding settlement of these matters, there can be no assurance that the Bank will be able to negotiate a settlement or the terms of any such settlement. Any settlement or other resolution of these matters could result in the payment of substantial fines, damages and other amounts by the Bank and potential injunctive relief against the Bank, each of which could have a material adverse effect on the Bank's financial condition and results of operations.

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 US Attorney's Office for the Eastern District of Pennsylvania (the "U.S. Attorney") advised the Bank that the U.S. Attorney intends to pursue legal action against the Bank and certain of its affiliates for alleged violations of the Financial Institutions Reform, Recovery, and Enforcement Act and certain related actions in connection with the Bank's electronic payment ("E-Payment Programs") and money service businesses ("Money Service Businesses"). As previously disclosed, the Bank has terminated its E-Payment Programs and Money Service Businesses as required by the 2011 FDIC Consent Order. While the U.S. Attorney has not commenced legal proceedings against the Bank and the Bank expects to continue discussions with the U.S. Attorney regarding settlement of these matters, there can be no assurance that the Bank will be able to negotiate a settlement or the terms of any such settlement. Any settlement or other resolution of these matters could result in the payment of substantial fines, damages and other amounts by the Bank and potential injunctive relief against the Bank, each of which could have a material adverse effect on the Bank's financial condition and results of operations.

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).

10.1 Purchase and Assumption Agreement by and between First Bank of Delaware and The Bryn Mawr Trust Company, dated April 27, 2012 (incorporated by reference to Exhibit 2.1 to Form 8-K filed on May 2, 2012).

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: May 14, 2012

Exhibit 31.1

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: May 14, 2012

/s/ Joseph J. Manion, Jr.

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

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 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: May 14, 2012

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