FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, DC 20429

FORM 10-K

(Mark One)
[**X**] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________________ to ___________________________

FDIC certificate number: 34929

FIRST BANK OF DELAWARE

(Exact name of registrant as specified in charter)

Delaware	51-0389698
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Brandywine Commons II, 1000 Rocky Run Parkway, Wilmington, DE	19803
(Address of Principal Executive offices)	(Zip Code)

Registrant's telephone number, including area code: (302) 529-5984
Securities registered pursuant to Section 12(b) of the Act: None.
Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.05 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☑ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☑ No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
☑ Yes ☐ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 submit and post such files).
☐ Yes ☐ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
☐ Yes ☑ No
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $9,690,488 based a per share price of $1.25, the last sale price on June 30, 2009.
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 11,418,901 shares of common stock, $0.05 par value, as of March 29, 2010.

Documents incorporated by reference

Part III of this Form 10-K incorporates certain information by reference to the registrant's definitive proxy statement for its 2010 Annual Meeting of Shareholders scheduled for May 10, 2010, which proxy statement will be filed with the FDIC.

FIRST BANK OF DELAWARE

Form 10-K

INDEX

PART I

ITEM 1: BUSINESS.

First Bank of Delaware

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

We presently conduct our principal business banking activities, and offer a variety of credit, electronic payment services and depository banking services, including commercial loan services, to individuals and businesses, through our two offices in Wilmington, Delaware. We also offer consumer products on a national basis by telephone and internet.

Our consumer products division is comprised of two business segments, consumer loans and card products. We make consumer installment loans (with terms from 120 days to 2 years) nationally via the Internet and telephone. Credit and prepaid card products and credit lines are similarly offered nationally. The majority of loan balances and credit card and credit line receivables resulting from these national products are sold or participated to third parties. Since we introduced our consumer products in 2008, and continuing into 2009, we primarily relied on third parties to market and service these loans and cards. Beginning in late 2008, primarily as a result of a consent order which we entered into with the FDIC in October 2008, we have made significant changes in our consumer products division. We have terminated third party relationships through which consumer loans and card products were marketed and serviced. Instead, we offer these products directly with assistance from professional marketers and other professional service providers.

As of December 31, 2009, we had total assets of approximately $140.4 million, total shareholders’ equity of approximately $41.4 million, total deposits of approximately $94.7 million and net loans receivable of approximately $82.6 million. Our net income for the year ended December 31, 2009 was approximately $1.5 million. Additional information about our community banking, consumer loan and card products business segments are set forth in Note 15 of the Notes to Consolidated Financial Statements included in this report and is incorporated by reference.

On October 9, 2008, the Bank entered into a Cease and Desist Stipulation and Consent Order (the “Order”) with the Bank’s primary federal regulator, the Federal Deposit Insurance Corporation (“FDIC”). The Order required the Bank to exit certain programs, enhance its oversight of other programs, and develop business, operating and capital plans. The 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 December 31, 2009, 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 December 31, 2009, 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. Discussions with the FDIC are continuing to address FDIC concerns with the Bank’s directly offered consumer loan and card products. One of those concerns is the use and control over third party vendors which the Bank has taken additional steps to address. As a result of the discussions with the FDIC, all third party credit card relationships have been terminated with one vendor in run off mode. All third party installment loan relationships have also been terminated, and we are now offering our installment loan product directly. All third party prepaid card products have been terminated and we now offer our prepaid card directly. We have hired a consultant to assist us in devising various plans to address concerns raised by the FDIC. These plans have been submitted to the FDIC for review. FBD has implemented many of the recommendations in the 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.

Products and Services Offered

General

We offer many commercial and consumer banking services with an emphasis on serving the needs of individuals, small and medium-sized businesses, executives, professionals and professional organizations in our service area.

We attempt to 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, sweep accounts, lockbox services, and individual retirement accounts (and other traditional banking services). FBD offers electronic payment services, including merchant acquiring services, Automated Clearing House ("ACH") transaction processing, Remotely Created Checks ("RCC") processing, and remote deposit capture services to businesses, merchants and independent sales organizations. These electronic payment services generate deposits and fee income. FBD supports the Money Service Business ("MSB") industry, including check cashers, money transmitters, bill paying services, and similar businesses, by providing cash management solutions to meet their servicing of the under-banked community. Products include cash vault, check processing and wire 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 and construction 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. FBD is evaluating whether it will offer these loans in the future. If it does, the loans may have different characteristics.

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 does intend to expand these products in 2010 and beyond. We also nationally offer installment loans with terms of up to 24 months, and credit and prepaid cards and credit lines to the under-banked market. We manage credit risk through loan application evaluation and monitoring for adherence with credit policies.

We also maintain an investment securities portfolio. Investment securities are purchased within the standards of our investment policies, which are approved annually by our board of directors. The investment policies address such issues as permissible investment categories, credit quality, maturities and concentrations. At December 31, 2009, substantially all of the aggregate dollar amount of the investment securities consisted of U.S. Government Agency issued mortgage-backed securities. Credit risk associated with these U.S. Government Agency securities is minimal, with risk-based capital weighting factors of 20%.

Banking Products and Services

We offer a range of commercial and other banking services, including secured and unsecured commercial real estate loans, construction and land development and other commercial loans. We offer both commercial and consumer deposit accounts, including checking accounts, interest-bearing demand accounts, money market accounts, certificates of deposit, savings accounts, sweep accounts, remote deposit services, lockbox services and individual retirement accounts (and other traditional banking services). Our commercial loans typically range between $250,000 and $2.0 million but customers may borrow significantly larger amounts up to our secured legal lending limit to one borrower of approximately $11.2 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 93.3% of total loans outstanding at December 31, 2009. 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.

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

Consumer Products

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

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

Card Products

Prepaid Cards

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

Credit Card Products

We are an issuing bank for certain credit card programs marketed principally to the unbanked and underbanked consumer. FBD originates credit card receivables and sells or participates the majority of such receivables into the secondary market. We previously offered our card products through various third parties, but have terminated all third party credit card programs, with one exception, as a result of our consent order and discussions with the FDIC. FBD does not issue new accounts for the remaining program. FBD will continue to service cardholders in the remaining program until the cards expire.

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

Credit Line Products

We issue open end lines of credit to the unbanked and under-banked consumer. The line of credit program provides customers with cash advance funds to add onto a prepaid card or deposit into a demand deposit account. The program provides a credit line of up to an approved amount which is usually less than $600 and includes a 12 percent transaction fee on the amount of the advance taken. The approved credit line is based on a borrower's deposit history and other credit factors. To access the credit line, the customer must move funds into his or her account telephonically or via the Internet prior to the customer having access to the advance proceeds. This distinguishes the product from overdraft products where customers may unknowingly overdraw their account and be charged excessive fees. FBD originates these credit line receivables and sells or participates the majority of such receivables into the secondary market. We earn a percentage of the transaction fees collected from customers. At December 31, 2009 FBD had no credit line receivables and no credit line balances on its books.

Consumer Installment Loans

We originate consumer installment loans that are generally fully amortizing unsecured loans of $2,500 or less with a term of up to 24 months and have anywhere between 4 and 48 scheduled repayments. These loans are offered via the Internet and telephone. Customers must have an active checking account, valid identification and a regular source of income. Many of these loans are made to customers with subprime credit characteristics, but these customers still must meet our credit underwriting criteria which may include minimum FICO credit scores, scores from other non-traditional credit reporting agencies and debt to income thresholds. If approved, FBD then assigns a maximum amount for the loan. FBD believes that this conservative qualification approach ensures that even consumers who borrow the lowest possible amount are not borrowing beyond their means. There are no late fees, deferral fees, extension fees, or rollover fees charged. In addition, there are no minimum finance charges or prepayment penalties associated with the product, and consumers are provided with a two-day rescission period during which they may cancel the loan without cost. Notably, refinances and roll-overs are not available on this product. Upon approval, a customer is then provided a loan agreement, which he or she signs, and the funds are then electronically deposited into the customer's checking account. Principal and interest payments are due at least monthly. Customers may repay their loans via ACH transactions from their bank account or by money order. As a result of higher than normal marketing and servicing costs and higher than normal charge-off volumes, these loans carry an annual interest rate of approximately 87% to 334%. Loans that were previously offered had terms of up to 120 months, but we no longer make those loans and none are on our balance sheet at December 31, 2009. We derive our authority to charge these rates of interest nationally on these loans from the Federal Deposit Insurance Act, which authorizes us to export the rates permitted by the State of Delaware to customers regardless of where they reside. As a Delaware state-chartered depository institution, the Bank is subject to the interest rate laws of the State of Delaware, which do not impose a limit on the maximum rate of interest Delaware banks may charge.

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

We sell the majority of our consumer loans or participations in these loans to third party investors and plan on continuing this practice. These third party buyers are investors or investment groups familiar with the industry. These loans are sold or participated on a non-recourse basis and the investors bear the risk of loss for any defaults on these loans. We retain a portion of the income on these sold loans, which is recorded as non-interest income. We also retain a portion of the loans we originate. Income on these retained loans is recorded as interest income. Per our internal guidelines, we hold up to 25% of our capital against these loans at any one time. We currently originate loans via the internet or by telephone, which are mostly sold or participated to third parties. At December 31, 2009, there were approximately $46.1 million of such loans outstanding of which $5.0 million was retained on the Bank's books. At December 31, 2009, there were no loans classified as "held for sale" that a buyer was committed to purchase.

Service Area/Market Overview

Our primary business and community banking service area consists of Delaware and southeastern Pennsylvania. We offer our consumer products, including consumer loans, credit lines and credit and prepaid cards, nationally via the Internet and telephone.

Competition

There is substantial competition among financial institutions in our business banking service area. We compete with new and established local commercial banks, as well as numerous regionally based and super-regional commercial banks. In addition to competing with new and established commercial banking institutions for both deposits and loan customers, we compete directly with savings banks, savings and loan associations, finance companies, credit unions, factors, mortgage brokers, insurance companies, securities brokerage firms, mutual funds, money market funds, private lenders and other institutions for deposits, commercial loans, mortgages and consumer loans, as well as other services.

Competition among financial institutions is based upon a number of factors, including, but not limited to, the quality of services rendered, interest rates offered on deposit accounts, interest rates charged on loans and other credit services, service charges, the convenience of banking facilities, locations and hours of operation and, in the case of loans to larger commercial borrowers, relative lending limits. It is the view of our management that a combination of many factors, including the level of market interest rates, has increased competition for loans and deposits.

Many of the banks with which we compete have greater financial resources than we do and offer a wider range of deposit and lending instruments with higher legal lending limits. Our legal lending limit was approximately $6.7 million for unsecured loans and $11.2 million for adequately secured loans, at December 31, 2009. As a result, we sell participations in larger loans. We are subject to potential intensified competition from new branches of established banks in the area as well as new banks that could open in our market area. New banks with business strategies similar to those of FBD represent potentially additional competitor banks. There are banks and other financial institutions, which serve surrounding areas, and additional out-of-state financial institutions, which currently, or in the future, may compete in our market.

With regard to competition for the short term and other consumer loans, credit lines, prepaid cards and credit cards we offer nationally, there are only a limited number of banks and finance companies that currently compete for such business among the unbanked and under-banked. However, we believe that competition for short term and other consumer installment loans and credit cards is likely to increase both in the number of competitors and related competing products. For instance, many banks offer a courtesy overdraft product, which may compete with shorter term installment loans. Several banks offer credit cards geared to the under-banked and unbanked that compete with the Bank's offerings. Other banks offer open end credit lines geared toward the under-banked and unbanked consumer.

Operating Strategy for Business Banking

Our core business-banking objective is to become the primary alternative to the large banks that dominate the Delaware and southeastern Pennsylvania market. Those large competitors include Wilmington Trust, WSFS, Wachovia, PNC, TD Bank, and Citizens. Our management team has developed a business strategy consisting of the following key elements to achieve this objective:

Providing Attentive and Personalized Service

We believe that a very attractive niche exists serving small to medium sized business customers not adequately served by our larger competitors. We believe this segment of the market responds very positively to our attentive and highly personalized service. We offer to individuals and small to medium sized businesses a wide array of banking products, informed and professional service, extended operating hours, consistently applied credit policies, and local, timely decision making. We also offer electronic payment services, including merchant acquiring services, ACH transaction processing, RCC transaction processing, and remote deposit capture to businesses, merchants and independent sales organization. These services are expected to grow in 2010. FBD also supports the MSB industry, by providing services to check cashers, money transmitters and bill paying services. We are able to provide these types of companies with vault, check processing, remote capture and wire services.

Attracting and Retaining Highly Experienced Personnel

Many of our officers and other personnel have substantial experience acquired at larger banks in the region. Additionally, we extensively screen and train our staff to instill a sales and service oriented culture and maximize cross-selling opportunities and business relationships. We offer meaningful sales based incentives to certain customer contact employees.

Product Diversification

In addition to pursuing the above strategy for core business banking, we are following a strategy of diversifying the products we currently offer nationally to the unbanked and under-banked. We expect to add new geographic areas in which we may make such products available and may also add additional products.

Supervision and Regulation

Various requirements and restrictions, currently in effect and adopted in the future, under the laws of the United States and the State of Delaware affect us.

General

We are subject to supervision and regulation by the FDIC and the Office of the State Bank Commissioner of the State of Delaware. Our activities are limited to the business of banking and activities closely related or incidental to banking. We are also subject to requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect our operations. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve Board (the "FRB") in attempting to control the money supply and credit availability in order to influence interest rates and the economy.

Gramm-Leach-Bliley Act

On November 12, 1999, the Gramm-Leach-Bliley Act, or GLB Act, was passed into law. The GLB Act accomplished three fundamental objectives:

(a) Repealed the key provisions of the Glass Steagall Act to permit commercial banks to affiliate with investment banks (securities firms).

(b) Amended the Bank Holding Company Act to permit qualifying bank holding companies to engage in any type of financial activities that are not permitted for banks themselves.

(c) Permitted subsidiaries of banks to engage in a broad range of financial activities that are not permitted for banks themselves.

The result is that banking companies will generally be able to offer a wider range of financial products and services and will be more readily able to combine with other types of financial companies, such as securities firms and insurance companies.

The GLB Act created a new kind of bank holding company called a "financial holding company" (an "FHC"). An FHC is authorized to engage in any activity that is "financial in nature or incidental to financial activities" and any activity that the FRB determines is "complementary to financial activities" and does not pose undue risks to the financial system. Among other things, "financial in nature" activities include securities underwriting and dealing, insurance underwriting and sales, and certain merchant banking activities.

In addition, the GLB Act also provided significant new protections for the privacy of customer information that are applicable to us. Accordingly, we must (1) adopt and disclose a privacy policy; (2) give customers the right to prevent us from making disclosures of non-public financial information, subject to specified exceptions; and (3) follow regulatory standards to protect the security and confidentiality of customer information.

Although the long-range effects of the GLB Act cannot be predicted with reasonable certainty, most probably it will further narrow the differences and intensify competition between and among commercial banks, investment banks, insurance firms and other financial service companies.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 comprehensively revised the laws affecting corporate governance, auditing and accounting, executive compensation and corporate reporting for entities, such as the Company, with equity or debt securities registered under the Securities Exchange Act of 1934. Among other things, Sarbanes-Oxley and its implementing regulations have established new membership requirements and additional responsibilities for our audit committee, imposed restrictions on the relationship between the Company and its outside auditors (including restrictions on the types of non-audit services our auditors may provide to us), imposed additional responsibilities for our external financial statements on our chief executive officer and chief financial officer, and expanded the disclosure requirements for our corporate insiders. The requirements are intended to allow stockholders to more easily and efficiently monitor the performance of companies and directors.

Emergency Economic Stabilization Act of 2008

The U.S. Congress adopted, and on October 3, 2008, President George W. Bush signed, the Emergency Economic Stabilization Act of 2009 ("EESA") which authorizes the United States Department of the Treasury, to purchase from financial institutions and their holding companies up to $700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies in a troubled asset relief program (commonly referred to as "TARP"). The purpose of TARP is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. The troubled asset relief program is also expected to include direct purchases or guarantees of troubled assets of financial institutions. The Treasury Department has allocated $250 billion towards a capital purchase program. Under the capital purchase program, the Treasury Department will purchase debt or equity securities from participating institutions. We have elected not to participate in the capital purchase program.

The Federal Deposit Insurance Corporation increased deposit insurance on most accounts from $100,000 to $250,000, until the end of 2013. In addition, pursuant to Section 13(c)(4)(G) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation has implemented two temporary programs to provide deposit insurance for the full amount of most non-interest bearing transaction deposit accounts through the end of 2010 and to guarantee certain unsecured debt of financial institutions and their holding companies through June 2012. For non-interest bearing transaction deposit accounts, including accounts swept from a non-interest bearing transaction account into a non-interest bearing savings deposit account, a 10 basis point annual rate surcharge will be applied to deposit amounts in excess of $250,000. We did not opt out of the temporary liquidity guarantee program. However, we do not expect that the assessment surcharge will have a material impact on our results of operations.

Regulatory Restrictions on Dividends

Dividend payments are limited by the FDIC and the Office of the State Banking Commissioner of the State of Delaware. Under the Federal Deposit Insurance Act, an insured bank may pay no dividends if the bank is in arrears in the payment of any insurance assessment due to the FDIC. We are not in arrears in the payment of any FDIC insurance assessments. Under Delaware law, we would be limited to $27.2 million of dividends, plus an additional amount equal to our net profit for 2010, up to the date of any such dividend declaration. However, dividends would be further limited in order to maintain capital ratios since state and federal regulatory authorities have adopted standards for the maintenance of adequate levels of capital by banks. State and Federal regulatory authorities have additional standards for the maintenance of capital levels. Adherence to such standards further limits our ability to pay dividends.

Dividend Policy

We have not paid any cash dividends and do not plan to make any dividend payments in 2010.

FDIC Insurance Assessments

The deposits of FBD are insured up to applicable limits per insured depositor by the FDIC. As an FDIC-insured bank, FBD is also subject to FDIC insurance assessments. Beginning in 2007, the FDIC adopted a revised risk-based assessment system to determine the assessment rates to be paid by insured institutions. Under a final rulemaking announced by the FDIC on March 4, 2008, and depending on the institution's risk category, assessment rates will range from 12 to 45 basis points. Institutions in the lowest risk category will be charged a rate between 12 and 16 basis points; these rates increase to 22, 32 and 45 basis points, respectively, for the remaining three risk categories. These rates may be offset in the future by any dividends declared by the FDIC if the deposit reserve ratio increases above a certain amount. Given the state of current economic environment, it is unlikely that the FDIC will lower these assessment rates, and such rates may in fact increase. Because FDIC deposit insurance premiums are "risk-based," higher premiums would be charged to banks that have lower capital ratios or higher risk profiles. Consequently, a decrease in FBD's capital ratios, or a negative evaluation by the FDIC, as FBD's primary federal banking regulator, may also increase FBD's net funding costs and reduce its net income.

Additionally, the FDIC recently adopted a rule that required banks to prepay three years of deposit assessments on December 30, 2009. The prepaid assessment for FBD amounted to $559,000 and will be expensed over the next thirty-six months. The assessment was based on our deposit levels on June 30, 2009 and the FDIC can require additional assessments over the next three years if our deposit base increases.

All FDIC-insured depository institutions must also pay an annual assessment to provide funds for the repayment of debt obligations (commonly referred to as FICO bonds) issued by the Financing Corporation, a federal corporation, in connection with the disposition of failed thrift institutions by the Resolution Trust Corporation. The FDIC has implemented a risk-related premium schedule for all insured depository institutions that results in the assessment of premiums based on capital and supervisory measures.

The FDIC has implemented a risk-related premium schedule for all insured depository institutions that results in the assessment of premiums based on capital and supervisory measures.

Under the risk-related premium schedule, the FDIC, on a semi-annual basis, assigns each institution to one of three capital groups (well capitalized, adequately capitalized or undercapitalized). The FDIC further assigns such institution to one of three subgroups within a capital group corresponding to the FDIC's judgment of the institution's strength based on supervisory evaluations, including examination reports, statistical analysis and other information relevant to gauging the risk posed by the institution.

Only institutions with a total capital to risk-adjusted assets ratio of 10.00% or greater, a Tier 1 capital to risk-adjusted assets ratio of 6.00% or greater and a Tier 1 leverage ratio of 5.00% or greater, are assigned to the well capitalized group.

Capital Adequacy

The FDIC has adopted risk-based capital guidelines which are applicable to us. The required minimum ratio of total capital to risk-weighted assets (including off-balance sheet items, such as standby letters of credit) is 8.0%. At least half of the total qualifying capital is required to be Tier 1 capital, consisting principally of common shareholders' equity, non-cumulative perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries, less goodwill. The remainder, Tier 2 capital, may consist of a limited amount of subordinated debt and intermediate-term preferred stock, certain hybrid capital instruments and other debt securities, perpetual preferred stock, and a limited amount of the general loan loss allowance.

In addition to the risk-based capital guidelines, the FDIC has established a minimum leverage ratio (Tier 1 capital to average total assets), guidelines for banks under its supervision. These guidelines provide for a minimum leverage ratio of 3% for those banks that have the highest regulatory examination ratings and are not contemplating or experiencing significant growth or expansion. All other banks are required to maintain a leverage ratio of at least 1% to 2% above the 3% stated minimum. We are in compliance with these guidelines.

The risk-based capital standards are required to take adequate account of interest rate risk, concentration of credit risk, and the risks of non-traditional activities.

Interstate Banking

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1995 (the "Interstate Banking Law") amended various federal banking laws to provide for nationwide interstate banking, interstate bank mergers, and interstate branching. The interstate banking provisions allow for the acquisition by a bank holding company of a bank located in another state.

Interstate bank mergers and branch purchase and assumption transactions were allowed effective September 1, 1998; however, states may "opt-out" of the merger and purchase and assumption provisions by enacting a law that specifically prohibits such interstate transactions. States could, in the alternative, enact legislation to allow interstate merger and purchase and assumption transactions prior to September 1, 1999. States could also enact legislation to allow for de novo interstate branching by out of state banks but such branching is not allowed absent express state authorization. Pennsylvania allows de novo interstate branching on a reciprocal basis and Delaware does not allow de novo interstate branching.

Profitability, Monetary Policy and Economic Conditions

In addition to being affected by general economic conditions, our earnings and growth will be affected by the policies of regulatory authorities, including the Office of the State Bank Commissioner of the State of Delaware, the FRB and the FDIC. An important function of the FRB is to regulate the supply of money and other credit conditions in order to manage interest rates. The monetary policies and regulations of the FRB have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our future business, earnings, and growth cannot be determined.

Other Legislative Initiatives

Bills have been introduced in the United States Congress which would alter the power of, and place restrictions on, different types of banking organizations and which could restructure part or all of the existing regulatory framework for banks, bank holding companies and other providers of financial services. For instance, the House of Representatives passed the Wall Street Reform and Consumer Protection Act in December, 2009, which would substantially change the regulation of financial institutions and establish a new agency, the Consumer Financial Protection Agency to regulate the consumer activities of financial institutions and other providers of consumer financial products. A bill establishing the Consumer Financial Protection Agency has been introduced in the U.S. Senate. In November 2009, the Federal Reserve Board issued amendments to Regulation E, which implements the Electronic Fund Transfer Act. The new rules have a compliance date of July 1, 2010. These amendments change, among other things, the way we and other banks may charge overdraft fees by limiting our ability to charge an overdraft fee for automated teller machine and one-time debit card transactions that overdraw a consumer's account, unless the consumer affirmatively consents to payment of overdrafts for those transactions. Moreover, other bills may be introduced in Congress which could further regulate or restructure the financial services industry. Whether these or any other proposals will be enacted into law is not known at this time or, if enacted, it is not known the effect if any they may have on the Bank's business and earnings.

Employees

As of March 19, 2010, we had approximately 71 total full-time employees and no part-time employees.

Available Information

We file annual, quarterly and special reports, proxy statements and other information with the FDIC. You may inspect any reports, statements or other information that we file with the FDIC at the FDIC, Accounting and Securities Disclosure Section, Division of Supervision and Consumer Protection, 550 17th Street, N.W., Washington, DC. We also make available, free of charge, copies of reports, proxy and information statements we file with the FDIC under "Investor Relations" at our website, www.fbdel.com, as soon as practicable after they are filed with the FDIC.

ITEM 1A: RISK FACTORS.

In addition to factors discussed elsewhere in this report, including "Management's Discussion and Analysis of Results of Operations and Financial Condition," following are certain significant risk factors that could adversely affect our business, financial condition and results of operations.

Our operations are subject to interest rate risk.

Our earnings are dependent, in part, upon the level of net interest income, which is the difference between interest earned on our interest-earning assets, such as loans and investments, and the interest paid on its interest-bearing liabilities, such as deposits and borrowings. For example, prepayments on fixed rate loans and mortgage-backed securities vary significantly and may cause significant fluctuations in our net interest margin.

Our allowance for loan losses may not be adequate to absorb actual losses

Significant estimates are made by management in determining the allowance for loan losses and carrying values of other real estate owned. There is no precise method of predicting loan losses. Consideration is given to a variety of factors in establishing these estimates. Our allowance for loan losses may not be adequate to absorb actual loan losses. Loan losses could have a material adverse effect on our financial condition and results of operations. We attempt to maintain an allowance for loan losses adequate to absorb losses inherent in our loan portfolio. 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. As loan losses and carrying values of real estate owned are dependent, to a great extent, on the general economy and other conditions that may be beyond our control, our estimates of the allowance for loan losses and the carrying values of the real estate owned could differ materially in the near term.

Our lending activities are subject to credit risk.

Our results of operations will be significantly affected by the ability of borrowers to repay their loans and many consumer borrowers, including consumer installment loan customers, credit line customers and credit card customers, are considered to be high credit risks.

We are subject to litigation in connection with our consumer products division and other operations.

Litigation in connection with such consumer loans and card products, if successful, and if not reimbursed by loan servicers, card marketers and others obligated to indemnify FBD, could have an adverse impact on earnings and financial condition. See "Legal Proceedings" in Item 3 of this report.

We will no longer generate revenue from certain third party programs.

The primary marketer for our credit cards generated credit card products which resulted in revenues greater than 10% of total revenues. In 2009, this marketer's revenues totaled $5.2 million, which represented 26.1% of total revenues for 2009. That marketer was the Bank's sole credit card marketer. In September of 2009, it was decided, by the Bank and its marketer that the accounts related to this marketer would be closed to new purchases. These accounts were transferred to the marketer at par and the Bank no longer owns the accounts and no longer earns revenue from this program. This will have a material adverse effect on future revenues.

We are subject to risks regarding data security.

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

We are subject to risks of new and revised laws and regulations.

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

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

The Bank offers various credit card and credit line products. Certain legislative and regulatory proposals seek to further regulate credit card markets and fees. If certain of these proposals are enacted, earnings could be materially affected, or make the line of business unprofitable.

Legislation eliminating or limiting interest rates upon subprime and other consumer loans (especially short term consumer loans) have from time to time been proposed primarily as a result of high fee levels. If adopted, such legislation can impair or eliminate our ability to make or profitably make such loans. If such proposals are not adopted and cease to be pursued, a large number of competitors may begin offering these products, and increasing competition could result in lower fees. Further, we use a small number of marketers under contracts, which can be terminated upon short notice, under various circumstances. In addition to generating the vast majority of loan and credit card volume, related deposit balances are significant. The impact of the legislation or negative conditions influencing the above factors, if any, is not possible to predict but could have a material adverse effect on our operations and financial results.

Many of the programs in our consumer products division rely on third parties to purchase the receivables we generate.

FBD generates a substantial portion of its income by selling or participating consumer installment loans and card receivables to various purchasers. Should purchasers be unable to acquire funding, sales or participations might be curtailed or eliminated with a material reduction in income.

The products we plan to introduce or expand may not be accepted by customers or, if accepted by customers, may not be profitable.

FBD will offer several new consumer products and services in 2010. FBD will incur expense in marketing and servicing these products. There is no guarantee that these products will be profitable. Regulatory changes could impact these products and services.

We may suffer losses for chargeback or returned items.

FBD has begun to offer electronic payment services which include merchant acquiring, ACH transaction processing and RCC transaction processing to businesses, merchants and independent sales organizations. FBD could be liable for any chargeback or returned items that it would not be able to recover from its customers. FBD does hold reserves for certain merchants involved in these businesses. While FBD believes that it has adopted certain policies and procedures to monitor the risks of these businesses, there can be no guarantee that FBD will not suffer losses in this business.

We may be vulnerable to disruptions in our computer systems.

FBD depends on data processing, communication and information exchange of customer information on a variety of computing platforms and networks and over the Internet for its various products and services. FBD cannot guarantee that all of its systems are entirely free from vulnerability to attacks, despite safeguards it has installed. FBD relies on and does business with a number of third party service providers and vendors with respect to business and data communication needs. In the event of data breach, information could be lost or misappropriated, resulting in financial loss or penalties to FBD and others. These cost or losses could materially exceed FBD’s amount of insurance coverage or reserves, if any, which would adversely impact FBD’s business.

Our business may be materially adversely affected by economic conditions and financial markets.

Economic and market conditions in the United States and around the world have deteriorated significantly and may remain depressed for the foreseeable future. Conditions such as slowing or negative growth and the subprime debt devaluation crisis have resulted in a low level of liquidity in many financial markets, and extreme volatility in credit, equity and fixed income markets. These economic developments could have various effects on our business, including insolvency of major customers, an unwillingness of customers to borrow or to repay funds already borrowed and a negative impact on the investment income FBD is able to earn on its investment portfolio. The potential effects of the current global financial crisis are difficult to forecast and mitigate. Distress in the credit markets and issues relating to liquidity among financial institutions have resulted in the failure of some financial institutions around the world and others have been forced to seek acquisition partners. The United States and other governments have taken unprecedented steps in effort to stabilize the financial system, including investing in financial institutions. There can be no assurance that these efforts will succeed. Our business and our financial condition and results of operations could be adversely affected by continued or accelerated disruption and volatility in financial markets; continued capital and liquidity concerns regarding financial institutions; limitations resulting from further governmental action in an effort to stabilize or provide additional regulation of the financial system; or recessionary conditions that are deeper or longer lasting than currently anticipated.

We may not be able to effectively compete for business.

FBD may not be able to compete effectively in its markets, which could adversely affect its results of operations. The banking and financial services industry in FBD's market area is highly competitive. The increasingly competitive environment is a result of changes in regulation, changes in technology and product delivery systems, and the accelerated pace of consolidation among financial service providers. Such larger institutions have greater access to capital markets, with higher lending limits and a broader array of services. Competition may require increases in deposit rates and decreases in loan rates.

Our charter documents could discourage potential acquisition proposals and could delay or prevent a change in control, even though a majority of the Company's shareholders may consider such proposals desirable.

FBD's Articles of Incorporation and Bylaws contain certain anti-takeover provisions that may make it more difficult or expensive or may discourage a tender offer, change in control or takeover attempt that is opposed by its board of directors. In particular, the Articles of Incorporation and Bylaws: classify the board of directors into three groups, so that shareholders elect only one-third of the Board each year; permit shareholders to remove directors only for cause and only upon the vote of the holders of at least 75% of the voting shares; require shareholders to give the Company advance notice to nominate candidates for election to the board of directors or to make shareholder proposals at a shareholders' meeting; and require the vote of the holders of at least 60% of the Company's voting shares for shareholder amendments to the Company's Bylaws. These provisions of the Company's Articles of Incorporation and Bylaws could discourage potential acquisition proposals and could delay or prevent a change in control, even though a majority of the Company's shareholders may consider such proposals desirable. Such provisions could also make it more difficult for third parties to remove and replace the members of the Company's board of directors. Moreover, these provisions could diminish the opportunities for shareholders to participate in certain tender offers, including tender offers at prices above the then-current market value of the Company's common stock, and may also inhibit increases in the trading price of the Company's common stock that could result from takeover attempts or speculation.

In addition, in the event of certain hostile fundamental changes, all of our senior officers are entitled to receive payments equal to two times such officers' base annual salary in the event they determine not to continue their employment.

Our business is subject to substantial regulation.

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 condition. In addition, we are subject to an FDIC Order. See "Business—Supervision and Regulation" in Item 1 of this report for additional information regarding the significant regulations to which we are subject and "Legal Proceedings—FDIC Order" in Item 3 of this report for additional information regarding the FDIC Order.

We may not be able to manage our growth.

We may experience difficulties in managing our growth and our growth strategy involves risks that may negatively impact our net income. As part of our general growth strategy, we may expand into additional communities or attempt to strengthen our position in our current markets by opening new branches and acquiring existing branches of other financial institutions. To the extent that we undertake additional branch openings and acquisitions, we are likely to continue to experience the effects of higher operating expenses relative to operating income from the new operations, which may have an adverse effect on our levels of reported net income, return on average equity and return on average assets. Other effects of engaging in such growth strategies may include potential diversion of our management's time and attention and general disruption to our business.

Although we do not have any current plans to do so, we may also acquire banks and related businesses that we believe provide a strategic fit with our business we may also engage in de novo bank formations. To the extent that we grow through acquisitions and de novo bank formations, we cannot assure you that we will be able to adequately and profitably manage this growth. Acquiring other banks and businesses will involve similar risks to those commonly associated with branching, but may also involve additional risks, including:

- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- exposure to potential asset quality issues of the acquired bank or related business;

- difficulty and expense of integrating the operations and personnel of banks and businesses we acquire; and

- the possible loss of key employees and customers of the banks and businesses we acquire.

We may not be able to raise capital when needed, or on terms acceptable to us.

Our growth may require us to raise additional capital in the future, but that capital may not be available when it is needed. We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. We anticipate that our existing capital resources will satisfy our capital requirements for the foreseeable future. However, we may at some point need to raise additional capital to support our continued growth. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital, if needed, on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth, branching, de novo bank formations and/or acquisitions could be materially impaired.

We may not have the resources to effectively implement new technology.

We have a continuing need for technological change and we may not have the resources to effectively implement new technology. The financial services industry is constantly undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend in part upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand in our market. Many of our larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that we will be able to offer, which would put us at a competitive disadvantage. Accordingly, we cannot provide you with assurance that we will be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to our customers.

There is a limited trading market for our common shares.

There is a limited trading market for our common shares, and you may not be able to resell your shares at or above the price shareholders paid for them. Although our common shares are quoted on the OTC Bulletin Board, the trading in our common shares has less liquidity than many other companies quoted on OTC Bulletin Board. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common shares at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. The volume of trading in our common shares may not increase and may decrease in the future.

System failure or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

System failure or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities. The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage, these security measures may not be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations.

We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors. Employee errors and misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls and insurance coverage to mitigate operational risks, including data processing system failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B: UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2: PROPERTIES.

We presently conduct our principal business banking activities through our two offices in Wilmington, Delaware. In addition, we maintain an operations center in Philadelphia, Pennsylvania.

Our headquarters and one of our branches is located on approximately 2,000 square feet of leased land at Concord Pike and Rocky Run Parkway, Brandywine Commons II, Wilmington, Delaware. This location opened on June 1, 1999. The initial ten-year term of our lease has been extended through December 2013, and we have one additional five-year option to renew the lease. The minimum annual rent for this location for 2010 is $91,608, payable in monthly installments.

We have another branch, along with a loan production office and administrative offices, in approximately 2,850 square feet of leased premises on the first floor of the Stoney Batter Office Complex located at 5301 Limestone Road, Suite 106, Wilmington, Delaware. This location opened on September 27, 2004. The lease is for an initial seven-year term with options to renew for three additional five-year terms. In October of 2009 we acquired a further 2,028 square feet of office space on the second floor of this location. The minimum annual rent for 2010 for this location is $130,344, payable in monthly installments.

We had a loan production office and administrative offices of approximately 1,376 square feet in the Shoppes at Sandbar Village located at 19413 Jingle Shell Way, Lewes, Delaware. This location opened on February 1, 2008, but due to limited activity we suspended activity at this site though FBD is still responsible for the terms of the lease. We may open the office once we obtain approval from the FDIC to operate a full-service branch at this location. The lease is for an initial five year and two month term with options to renew for three additional five-year terms. The minimum annual rent for 2010 for this location is $46,084, payable in monthly installments.

In June, 2007, FBD became liable for the proportionate amount of space it utilizes, of a total 53,275 square feet on two floors of Two Liberty Place, 1601 Chestnut St., Philadelphia, Pennsylvania, as its operations center. The remainder of the space will be utilized by the holding company which had previously spun it off, and which will assume its allocated costs. The initial thirteen year, seven month lease term contains two five year renewal options and the initial lease term will expire on December 31, 2020. FBDs share of the space is approximately 27.25%. The minimum annual rent for 2010 for this location is $255,885, payable in monthly installments.

ITEM 3: LEGAL PROCEEDINGS.

DAS, WAC and Browning

On August 5, 2009, Data Access Systems Inc., or DAS, instituted a proceeding against us in the Chancery Court of the State of Delaware, in a matter styled *Data Access Systems Inc. v. First Bank of Delaware and Firstview LLC.* We had sponsored DAS 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 recently consolidated with the DAS case. After consolidation the court ordered the plaintiffs in the consolidated case to file a consolidated complaint by mid-March.

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

The plaintiffs are three operators of ATMs that formerly gained access to the Visa and MasterCard networks through DAS. The case is putatively a class action and seeks to include all the operators of ATM machines who formerly accessed the Visa and MasterCard network through DAS as members of the class. The case, however, has not been certified as a class action.

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

Yulon Clerk

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

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

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

By order dated August 20, 2009, the District Court severed the plaintiff's claims against us from the claims against the other defendants and ordered plaintiff to file an amended complaint against us alone within 30 days or the case against us would be dismissed.

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

On November 16, 2009, we filed a motion to stay all proceedings and compel arbitration. By order dated February 3, 2010, the case was stayed pending the U.S. Court of Appeals for the Third Circuit's decision in *Puleo v. Chase Bank USA, N.A.* (3d Cir. No. 09-3837). On February 22, 2010, the stay was vacated and the case was placed back on active status.

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

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

Illinois Action

On January 15, 2009, the Illinois Department of Financial & Professional Regulation, Division of Financial Institutions, without any prior contact with us, issued a cease and desist order against us demanding that we cease acting as a lender in Illinois. The conduct that gave rise to the Division's s enforcement action, our use of a third party in the marketing of our product, was discontinued on November 2008, before the Division issued its order. We have been advised by counsel that the Illinois law that served as the basis of the Division's action is likely inapplicable to us, and that the Division appears to have changed its position with regard to the application of the underlying state law to out-of-state state-chartered banks. We believe that the Division's action is without merit.

FDIC Order

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 annual report and is incorporated by reference in this item.

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.

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

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 4: (REMOVED AND RESERVED).

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the OTC Bulletin Board under the symbol "FBOD." The table below presents the range of high and low bid information for our common stock quoted on the OTC Bulletin Board for the periods indicated. Market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Year	Quarter	High	Low
2009……………………	4th	$1.75	$1.11
	3rd	$1.60	$1.13
	2nd	$1.35	$1.01
	1st	$1.45	$0.87

Year	Quarter	High	Low
2008……………………	4th	$1.90	$1.12
	3rd	2.00	1.78
	2nd	2.85	1.75
	1st	3.15	2.26

Holders

As of March 15, 2010, there were approximately 1,194 holders of our common stock, based upon the number of record holders and an estimate of individual participants in security position listings.

Dividend Policy

We have not paid any cash dividends on our common stock. We may consider paying dividends in the future; however, the payment of dividends in the future will depend upon earnings, capital levels, cash requirements, our financial condition, applicable government regulations and policies and other factors deemed relevant by our board of directors. See "Description of our Business–Supervision and Regulation–Regulatory Restrictions on Dividends."

Securities Authorized For Issuance Under Equity Compensation Plans

Our board of directors has adopted, and our stockholders have approved, the Stock Option Plan and Restricted Stock Plan of First Bank of Delaware. The plan became effective on January 1, 2005. 1,540,000 shares of our common stock were authorized for grant under the plan. The following table shows the number of remaining options available for grant under equity compensation plans as of December 31, 2009.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	957,422	$2.40	72,068
Equity compensation plans not approved by security holders	-	-	-
Total	957,422	$2.40	72,068

ITEM 6: SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7: 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. 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," "could," "will," "likely," "believes," "expect," "estimate," "project," "anticipate," "should," "would," "intend," "probability," "risk," "target," "objective" and similar expressions or variations on such expressions. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. For example, risks and uncertainties can arise with changes in: general economic conditions, including their impact on capital expenditures; business conditions in the financial services industry; the regulatory and litigation environment, including additional restrictions on short term consumer loans and other products and evolving banking industry standards; rapidly changing technology and competition with community, regional and national financial institutions; new service and product offerings by competitors, price pressures; and similar items. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Critical Accounting Policies, Judgments and Estimates

In reviewing and understanding financial information for FBD, you are encouraged to read and understand the significant accounting policies used in preparing our consolidated financial statements. These policies are described in Note 2 of our audited consolidated financial statements. The accounting and financial reporting policies of FBD conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The preparation of FBD's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Management evaluates these estimates and assumptions on an ongoing basis, including those related to the allowance for loan losses and deferred income taxes. Securities are evaluated quarterly to determine whether declines in value are other than temporary. Such declines would be recorded as loss. Fees earned on installment loans that are not sold are recorded as interest income and are accrued over the life of the loan. Management bases its estimates on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances**.** These form the basis for making judgments on the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Allowance for Loan Losses— The allowance for loan losses is increased by charges to income through the provision for loan losses and decreased by charge-offs (net of recoveries). The allowance is maintained at a level that management considers adequate to absorb losses inherent in the loan portfolio. Management's periodic evaluation of the adequacy of the allowance is based on FBD's past loan loss experience, the volume and composition of lending conducted by FBD, adverse situations that may affect a borrower's ability to repay, the estimated value of any underlying collateral, economic conditions and other factors affecting the known and inherent risk in the portfolio. This evaluation is inherently subjective as it requires material estimates including, among others, the amount and timing of expected future cash flows from impacted loans, exposure at default, the value of collateral, and estimated losses on our commercial and residential loan portfolios. All of these estimates may be susceptible to significant change.

The allowance consists of specific allowances for impaired loans and a general allowance on the remainder of the portfolio. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available for the entire portfolio.

We establish an allowance on certain impaired loans under ASC 310 for the amount by which the discounted cash flows, observable market price or fair value of collateral, if the loan is collateral dependent, is lower than the carrying value of the loan. A loan is considered to be impaired when, based upon current information and events, it is probable that the

Company will be unable to collect all amounts due according to the contractual terms of the loan. An insignificant delay or insignificant shortfall in amount of payments does not necessarily result in the loan being identified as impaired.

We also establish allowance percentages on classified loans which are not impaired under ASC 310. These loans are assigned allowances based on inherent losses related to collateral dependency, collateral deficiency and guarantor support. These loans represent above-average credit risks, yet may not present a collateral deficiency which result in the need for an ASC 310 impairment analysis and subsequent charge-off. Classification of a loan is based on identified weaknesses that increase the credit risk of the loan.

We establish a general allowance on non-classified loans to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem loans. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on our historical loss experience, delinquency trends, and management’s evaluation of the collectability of the loan portfolio, among other factors.

The allowance is adjusted for significant factors that, in management’s judgment, affect the collectability of the portfolio as of the evaluation date. These significant factors may include changes in lending policies and procedures, changes in existing general economic and business conditions affecting our primary lending areas, credit quality trends, collateral value, loan volumes and concentrations, seasoning of the loan portfolio, loss experience in particular segments of the portfolio, duration of the then-current business cycle, and bank regulatory examination results. The applied loss factors are reevaluated each reporting period to ensure their relevance in the current economic environment.

FBD has not experienced significant charge offs in its commercial and traditional consumer loan categories. FBD utilized percentages which have exceeded actual historic losses for the years prior to 2009. Due to recent economic developments, increased charge offs in commercial loans and other factors, the Bank increased its reserves incrementally across the entire portfolio based on a combination of risk rating, loan type, industry and guarantor support. Other credit risk factors are inherently built into this method including, but not limited to: debt service coverage, collateral coverage, liquidity, borrower experience, credit history and other factors.

Upon downgrading a loan, the Bank tests the loan for impairment. If the loan is considered to be: 1) collateral dependent, and 2) collateral deficient; then an impairment analysis is performed to determine the amount of the deficiency beyond the collateral value, less and fees, discounts and expenses.

While management uses what it believes to be the best information available to it at the time in order to evaluate the allowance for loan losses, additional provisions to add to the allowance may be necessary based on changes in economic and other conditions, changes in the composition of the loan portfolio or changes in accounting guidance. In times of economic slowdown, either regional or national, the risk inherent in the loan portfolio could increase resulting in the need for additional provisions to the allowance for loan losses in future periods. An increase could also be necessitated by an increase in the size of the loan portfolio or in any of its components even though the credit quality of the overall portfolio may be improving. Historically, our estimates of the allowance for loan loss have approximated actual losses incurred. In addition, the Office of the State Bank Commissioner of the State of Delaware and the FDIC, as an integral part of their examination processes, periodically review our allowance for loan losses. The Office of the State Bank Commissioner of the State of Delaware or the FDIC may require the recognition of adjustment to the allowance for loan losses based on their judgment of information available to them at the time of their examinations. To the extent that actual outcomes differ from management’s estimates, additional provisions to the allowance for loan losses may be required that would adversely impact earnings in future periods.

Revenue Recognition—Fees earned on consumer installment loans that are not sold or participated are recorded as interest income. While the majority of such loans are sold or participated, interest on loans retained is recognized on a cash basis, due to the special risks of such loans. Among other factors, performance can vary widely resulting in overstatement of income should income be accrued. Payments are made bi-weekly and income is accordingly recognized bi-weekly. At December 31, 2009 and 2008, there were approximately $5.0 million and $4.0 million of such loans outstanding respectively.

The majority of consumer loans are sold or participated to third parties. We record fees on sold or participated loans as non-interest income. Because we continue to earn fees on sold or participated loans, we track the amounts of these loans outstanding, even though such loans are not reflected on our balance sheet. At December 31, 2009, the amount of these loans outstanding was $41.1 million. We evaluated these sales and determined that they qualified as such under ASC 860.10 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”.

Other-Than-Temporary Impairment of 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 the 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.

Income Taxes—Management makes estimates and judgments to calculate some of our tax liabilities and determine the recoverability of some of our deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenues and expenses. Management also estimates a valuation allowance for deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. These estimates and judgments are inherently subjective. Historically, our estimates and judgments to calculate our deferred tax accounts have not required significant revision from management's initial estimates.

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

In August 2009, the FASB issued Accounting Standards Update ("ASU") 2009-5, "Measuring Liabilities at Fair Value", which updates ASC 821-10, "Fair Value Measurements and Disclosures". The updated guidance clarifies that the fair value of a liability can be measured in relation to the quoted price of the liability when it trades as an asset in an active market, without adjusting the price for restrictions that prevent the sale of the liability. This guidance was effective beginning October 1, 2009. The adoption had no impact on our financial position, results of operations, and earnings per share.

In June 2009, the FASB issued new guidance impacting FASB ASC 860, Transfers and servicing (Statement No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140).* This codification prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, ASC 860 amends Statement of Financial Standard No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, or SFAS 140, by removing the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FIN 46(R) to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in SFAS 140. ASC 860 is effective for fiscal years beginning after November 15, 2009. We have not determined the effect that the adoption of ASC 860 will have on our financial position or results of operations.

In June 2009, the FASB issued new guidance impacting FASB ASC 810-10, Consolidation (Statement No. 167, *Amendments to FASB Interpretation No. 46(R).* The new guidance amends tests for variable interest entities to determine whether a variable interest entity must be consolidated. FASB ASC 810-10 requires an entity to perform an analysis to determine whether an entity's variable interest or interests give it a controlling financial interest in a variable interest entity. This standard requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and enhanced disclosures that provide more transparent information about an entity's involvement with a variable interest entity. The new guidance will become effective for fiscal years beginning after November 15, 2009. We have not determined the effect that the adoption of ASC 810-10 will have on our financial position or results of operations.

In June 2009, the FASB issued FASB ASC 105-10, Generally Accepted Accounting Principles (Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles).* The new guidance replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles,* to establish the *FASB Accounting Standards Codification* as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with generally accepted accounting principles in the United States. The new guidance became effective for interim and annual periods ending after September 15, 2009. The adoption of this guidance did not have an impact on our financial position or results of operations.

In April 2009, the FASB issued new guidance impacting FASB ASC 820, Fair Value Measurements and Disclosures (FASB Staff Position (FSP) No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4)). FASB ASC 820, defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FASB ASC 820 provides additional guidance on determining when the volume and level of activity for the asset or liability has significantly decreased. The FSP also includes guidance on identifying circumstances when a transaction may not be considered orderly.

FASB ASC 820 provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with ASC 820.10.

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

This ASC is effective for interim and annual reporting periods ending after June 15, 2009. We adopted this pronouncement in second quarter 2009 and it had no impact on our financial statements.

Results of Operations for the Years Ended December 31, 2009 and 2008

<u>Overview</u>

Our net income decreased $3.6 million, or 70.4%, to $1.5 million for the year ended December 31, 2009, compared to $5.1 million for the prior year. Diluted earnings per share were $0.13 versus $0.44 for the prior year. Return on average assets decreased to 1.23% in 2009 from 4.14% in the prior year. Return on average equity also declined to 3.68% in 2009 from 13.47% in 2008.

The decrease in net income reflected a $7.8 million decrease in non-interest income, resulting primarily from decreased card and consumer loan products which amounted to $4.4 million and $3.0 million respectively reflecting the termination of third party relationships in our consumer products division and the termination of certain programs. Net interest income decreased $956,000 reflecting lower yields on assets and the decreased average balances of consumer loans retained on our balance sheet. The decreases in non-interest and net interest income were partially offset by reductions in non-interest expenses such as salaries and employee benefits which decreased by $1 million. Expenses related to professional fees and legal expenses decreased $1.6 million as expenses related to the FDIC Order of 2008 were declining. The termination of our directly offered credit card helped to reduce expenses by $1.1 million. While the Bank has begun offering its own installment loan and card products, related volume has been reduced.

<u>Analysis of Net Interest Income</u>

While we derive a significant portion of our revenue from fees related to our consumer products, our income also depends significantly upon our net interest income, which is the difference between interest earned on our interest-earning assets, such as loans and investments, and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the mix of the volume and rates of interest-earning assets and interest-bearing liabilities, such as deposits and borrowings. The following table provides an analysis of net interest income on an annualized basis, setting forth for the periods: average assets, liabilities, and shareholders' equity; interest income earned on interest-earning assets and interest expense on interest-bearing liabilities; average yields earned on interest-earning assets and average rates on interest-bearing liabilities; and our net interest margin (net interest income as a percentage of average total interest-earning assets). Averages are computed based on daily balances. Non-accrual loans are included in average loans receivable. Yields are not adjusted for tax equivalency, as we had no tax-exempt income during the reported periods, but we may have such income in the future.

Analysis of Net Interest Income

(Dollars in thousands)	Average Balance	Interest Income/ Expense	Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Yield/ Rate (1)
	For the Year Ended December 31, 2009			For the Year Ended December 31, 2008		
Interest-earning assets:						
Federal funds sold and other interest-earning assets	$18,242	$ 47	0.26%	$19,896	$ 400	2.01%
Investment securities	15,672	673	4.30%	14,781	735	4.97%
Loans receivable	76,858	9,574	12.46%	77,004	10,414	13.52%
Total interest-earning assets	110,772	10,294	9.29%	111,681	11,549	10.34%
Other assets	10,922			10,510		
Total assets	$121,694			$122,191		
Interest-bearing liabilities:						
Demand – non-interest Bearing	$25,526	-	-	$39,633	-	-
Demand – interest-bearing	533	8	1.44%	329	3	0.91%
Money market & savings	29,006	377	1.30%	26,135	620	2.37%
Time deposits	22,264	504	2.27%	13,549	567	4.18%
Total deposits	77,329	889	1.15%	79,646	1,190	1.49%
Total interest-bearing deposits	51,803	889	1.72%	40,013	1,190	2.97%
Other borrowings	274	2	0.66%	41	-	0.63%
Total interest-bearing liabilities	52,077	891	1.71%	40,054	1,190	2.97%
Total deposits and other borrowings	77,603	891	1.15%	79,687	1,190	1.49%
Non-interest-bearing Other liabilities	3,406			4,970		
Shareholders' equity	40,685			37,534		
Total liabilities and Shareholders' equity	$121,694			$122,191		
Net interest income		$ 9,403			$10,359	
Net interest spread			7.58%			7.37%
Net interest margin (2)			8.49%			9.28%

(1) Yields on investments are calculated based on amortized cost.
(2) The net interest margin is calculated by dividing net interest income by average total interest earning assets.

Rate/Volume Analysis of Changes in Net Interest Income

Net interest income may also be analyzed by segregating the volume and rate components of interest income and interest expense. The following table sets forth an analysis of volume and rate changes in net interest income for the periods indicated. For purposes of this table, changes in interest income and expense are allocated to volume and rate categories based upon the respective changes in average balances and average rates.

	Year ended December 31, 2009 vs. 2008			Year ended December 31, 2008 vs. 2007		
	Change due to			Change due to		
(Dollars in thousands)	Average Volume	Average Rate	Total	Average Volume	Average Rate	Total
Interest earned on:						
Federal funds sold and other						
Interest-earning assets	$ (4)	$ (349)	$ (353)	$ (373)	$ (1,221)	$ (1,594)
Securities	38	(100)	(62)	231	(94)	137
Loans	(18)	(822)	(840)	506	1,851	2,357
Total interest earning assets	$ 16	$ (1,271)	$ (1,255)	$ 364	$ 536	$ 900
Interest expense of						
Deposits						
Interest-bearing demand deposits	$ (3)	$ (2)	$ (5)	$ (1)	$ -	$ (1)
Money market and savings	(37)	280	243	94	665	759
Time deposits	(197)	260	63	827	366	1,193
Total deposit interest expense	(237)	538	301	920	1,031	1,951
Other borrowings	(2)	-	(2)	1	20	21
Total interest expense	(239)	538	299	921	1,051	1,972
Net interest income	$ (223)	$ (733)	$ (956)	$ 1,285	$ 1,587	$ 2,872

Net Interest Income

Our net interest margin decreased from 9.28% in 2008 to 8.49% for 2009. The decrease reflected reduced balances of higher yielding consumer loans, and decreased yields on commercial loans and federal funds sold reflecting the lower rate environment. In 2009, short-term and other consumer loans contributed approximately 5.02% of the total 8.49% net interest margin, compared to 5.23% of the 9.28% net interest margin in 2008. Accordingly, margins excluding short-term loans were 3.47% in 2009 and 4.05% in 2008. That margin decrease reflected the impact of lower yields earned on commercial loans, reflecting lower rates on loans tied to prime and lower rates earned on federal funds sold reflecting the lower rate environment.

Our total interest income decreased $1.2 million, or 10.9%, to $10.3 million for the year ended December 31, 2009, from $11.5 million for the prior year. As shown in the Rate/Volume table above, the decrease in net interest income reflected, the $822,000 negative effect of decreased loan yields primarily due to our decreased holdings of higher yield consumer loans, the termination of our mezzanine loan program in 2008, lower rates earned on commercial loans and lower interest earned from federal funds sold. Interest on loans decreased $840,000 or 8.1% to $9.6 million in 2009 from $10.4 million in 2008. The $840,000 decrease in loan income reflected a decrease in consumer loan interest of $300,000 to $5.6 million in 2009 from $5.9 million in 2008, which added to the impact of lower commercial loan yields. We had no interest income in our mezzanine finance segment in 2009 as compared to $249,000 in 2008, as we discontinued our mezzanine finance business in 2008 due to market conditions. Average commercial loans outstanding increased to $70.6 million in 2009 from $67.5 million in 2008. Yields on commercial loans in 2009 decreased due to the declining rate environment year especially for loans tied to prime. Approximately 25.3% of our loan portfolio is tied to prime.

Interest and dividend income on investment securities decreased $62,000, or 8.4%, to $673,000 for 2009, from $735,000 for the prior year. The decrease was due principally to the 67 basis point decline in yield on our portfolio which went from 4.97% in 2008 to 4.30% in 2009. The decrease in yield was mainly the result of the purchase in October 2008 of some short term notes totaling $14.8 million with lower yields than the rest of the portfolio. Those short term notes all matured in 2009.

Interest income on federal funds sold and other interest-earning assets decreased $353,000, or 88.3%, to $47,000 as the average rate earned on these balances decreased 175 basis points to 0.26% from 2.01% in 2008. This reflected the lower rate environment. Average federal funds sold outstanding decreased 8.3% or $1.7 million in 2009 to $18.2 million.

Our total interest expense decreased $299,000 or 25.1%, to $891,000 for the year ended December 31, 2009, from $1.2 million for the prior year. The decrease reflected the lower rate environment as a result of which the average rate on interest bearing deposits decreased to 1.72% from 2.97%. The decrease in deposit rates was also impacted by our decision to reduce levels of higher cost time deposits, which were replaced by lower cost brokered time deposits. Interest bearing liabilities averaged $52.1 million for the year ended December 31, 2009, versus $40.1 million for the prior year.

Interest expense on time deposits (certificates of deposit) decreased $63,000 or 11.1%, to $504,000 for 2009, from $567,000 for the prior year. This decrease primarily reflected the decreased costs of time deposits as the average rate on certificates of deposit decreased 191 basis points to 2.27% in 2009 from 4.18% in 2008. Average certificates of deposit balances increased $8.7 million or 64.3% to $22.2 million in 2009, from $13.5 million in 2008. The increase reflected an average of $6.3 million in brokered time deposits which carry a significantly lower cost than our other time deposits. We began offering brokered time deposits in second quarter 2009.

Provision for Loan Losses

The provision for loan losses is charged to operations in an amount necessary to bring the total allowance for loan losses to a level that is adequate to absorb the losses inherent in the loan portfolio. The provision for loan losses increased $189,000 to $4.4 million for the year ended December 31, 2009, from $4.2 million for the prior year, however the composition of the provision was different. Our provision expense for commercial loans increased in 2009, and totaled $1.6 million versus $525,000 in 2008. This reflected an increase in impaired and classified loans. Provision expense for credit cards declined from $1.9 million 2008 to $549,000 in 2009 as a result of lower volumes in 2009. Our provision expense is based on commercial and short-term consumer loan growth, card volume and performance, general factors, considerations of our primary regulator, the FDIC, and an increase in impaired loans. Management continues to review its loan portfolio to determine the extent, if any, to which additional loss provisions may be deemed necessary. The allowance for losses will be adequate to cover losses which may in fact be realized in the future and additional provisions for losses may be required.

Non-Interest Income

Total non-interest income decreased $7.8 million or 44.5%, to $9.7 million for the year ended December 31, 2009, versus $17.5 million for the prior year, reflecting a decrease of $2.3 million, or 51.3% in consumer loan fee related income and a $4.4 million decline in card income. Fees on consumer loans represent income on loans sold or participated to third party purchasers. The decrease resulted primarily from reduced volumes of new consumer loans as a result of market factors, and elimination of third parties relationships as a result of the FDIC Order. We currently offer our own internet consumer loan product. Card product revenue decreased by $4.4 million, or 39.5%, in 2009 to $6.7 million. The majority of the decrease resulted primarily from fee income on credit card products primarily earned on the number of active accounts which decreased substantially between the periods. One company that marketed FBD credit cards generated $5.2 million in revenue, or 26.1% of total 2009 revenue, for FBD. The accounts with this marketer were closed and transferred in the fourth quarter of 2008 and FBD will no longer earn revenue on these accounts. The decline in revenue also reflected the termination of certain relationships. Additionally, incentive revenue was earned on the basis of card issuances from Mastercard. The Bank recorded incentive income related to issuing cards of $132,000 included in card income for 2009 compared to $2.4 million in 2008. This source of revenue has been largely eliminated due to our exit from certain lines of business, the termination of relationships with certain third parties as a result of the FDIC Order, and lower originations. Before 2008, FBD generally sold or participated all consumer installment loans upon origination. In 2008, FBD began holding certain loans for brief periods. Amounts received in excess of principal are recorded as gain on sale of loans. In 2008, such gain amounted to $687,000 versus $0 for 2009 as the program was discontinued, reflecting the termination of third party relationships previously mentioned. Fees from originating insurance premium loans declined by $535,000 to $97,000 in 2009. This reflected the decision to terminate the relationship with the third party who assisted the Bank in originating these loans. In 2009 we added electronic payment processing and check casher programs to our cash management business which increased non-interest income by $294,000 to $525,000 in 2009 compared to $231,000 in 2008.

Non-Interest Expenses

Total non-interest expenses decreased $3.6 million, or 22.3%, to $12.4 million for the year ended December 31, 2009, from $16.0 million for the prior year. Salaries and employee benefits decreased $1.0 million, or 12.0%, to $7.4 million for the year ended December 31, 2009, from $8.4 million for the prior year. The decrease reflected $750,000 of reduced incentive expense and $354,000 in reduced deferred compensation allocations, which were partially offset by higher direct salary costs.

Occupancy expense increased $38,000 to $655,000 in 2009 from $617,000 in 2008. The increase reflected increased rent and maintenance expenses.

Depreciation expense increased $11,000, or 2.6% to $432,000 for the year ended December 31, 2009, versus $421,000 for the prior year. The increase reflected purchases of new equipment and leasehold improvements to support our operations.

Legal fees decreased $603,000, or 65.2% to $322,000 for the year ended December 31, 2009, from $925,000 for the prior year. The majority of the reduction reflected higher legal expenses paid in 2008 related to the FDIC Order and product diversification.

Insurance expense increased $82,000 or 40.8% to $283,000 for the year ended December 31, 2009 from $201,000 in the prior year. The increase was due to policy increases.

Data processing and operational expense increased $6,000, or 1.2%, in 2009, to $490,000 from $484,000 in the prior year. The increase reflected system upgrades for our data and operations center to support more diversified products offered directly by the Bank.

Credit card marketing and processing expenses decreased $1.1 million or 79.4%, in 2009, to $255,000 from $1.3 million in the prior year. The decrease reflected the termination of our directly offered credit card test in 2009.

Professional expenses decreased $1.0 million or 62.8% in 2009, to $593,000 from $1.6 million in the prior year reflecting significant consulting fees related to the FDIC Order and to product planning paid in 2008. We continue to employ an experienced consulting firm to assist in our strategic planning, and developing certain operating, strategic and capital plans.

Director's fees expense increased $57,000 or 32.4% to $234,000 from $176,000 in the prior year. The increase was the result of increased compliance duties undertaken by the board of directors in 2009.

Telephone expense increased $35,000 or 21.6% to $197,000 in year ending December 31, 2009 versus the prior year expense of $162,000. The increase was due to increased usage and costs of our wireless telephone service.

FDIC insurance assessments increased $170,000, or 226.7%, in 2009, to $245,000 from $75,000 in the prior year primarily as a result of a special assessment of $45,000 levied in second quarter of 2009 and a year end true up adjustment of $83,000 to properly reflect expense through 2009.

Delaware franchise tax decreased $332,000, or 82.4%, in 2009, to $71,000 from $403,000 in the prior year primarily as a result of decreased taxable income.

Miscellaneous expenses increased $44,000 to $354,000 in 2009 from $310,000 in 2008. In 2009, FBD reserved $350,000 for possible settlements related to a fine imposed by VISA and MasterCard for data breaches that is not expected to be covered by insurance. In 2008, miscellaneous expense reflected $304,000 which was the civil money penalty imposed by the FDIC.

Other operating expenses increased $2,000, to $930,000 for the year ended December 31, 2009, from $928,000 for the prior year.

Provision for Income Taxes

The provision for income taxes decreased $1.8 million to $793,000 for the year ended December 31, 2009, from $2.6 million for the prior year. This decrease was primarily the result of the decrease in pre-tax income. Our effective tax rates approximated the statutory rate of 34% in both years.

Financial Condition

December 31, 2009 Compared to December 31, 2008

Total assets increased $24.2 million to $140.4 million at December 31, 2009, versus $116.2 million at December 31, 2008. The majority of total assets were comprised of net loans receivable, which increased $11.3 million to $82.6 million, investment securities available for sale, which decreased $15.0 million to $7.6 million, and federal funds sold and interest bearing deposits, which increased $29.4 million to $33.8 million from respective prior year end balances. We chose to maintain higher balances of cash and cash equivalents, rather than invest in securities, in order to maintain liquidity for planned loan growth and other needs.

Assets

Loans

Our loan portfolio, which represents our largest asset, is our most significant source of interest income. Our commercial lending strategy in our community banking segment is to focus on small and medium sized businesses and professionals that seek highly personalized banking services. We also offer consumer installment loans and credit cards and sell or participate most of those loans to third party investors. Gross loans increased $11.8 million or 15.9%, to $86.1 million at December 31, 2009, versus $74.2 million at December 31, 2008. This increase reflected new originations and repurchase of past loan participations made at the Bank's request. These purchases will allow us to earn additional interest income. The loan portfolio consists primarily of commercial real estate, construction and other commercial loans, commercial and industrial loans, as well as consumer installment loans. Commercial real estate and construction loans comprise the majority of our loan portfolio. Commercial real estate and other commercial loans amounted to $64.6 million at December 31, 2009 compared to $56.3 million at the prior year-end. The increase in commercial real estate loans reflected loan growth. Construction and land development loans amounted to $16.5 million and $12.6 million respectively, at those dates. There are no construction loans in which the interest reserves are material. At December 31, 2009, we had $5.0 million in short term consumer loans outstanding versus $4.0 million at December 31, 2008. Also at December 31, 2009 there were $0 in credit card receivables outstanding versus $1.3 million at the prior year end.

Investment Securities

Investment securities available-for-sale are investments, which may be sold in response to changing market and interest rate conditions and for liquidity and other purposes. Our investment securities available-for-sale consist of U.S. Government agency issued mortgage backed securities. Available-for-sale securities totaled $7.6 million at December 31, 2009, a decrease of $15.0 million from year-end 2008. This decrease resulted from the maturity of $15.0 million in Federal Home Loan Bank discount notes purchased in 2008, which were purchased to reduce exposure to lower rate environments expected in 2009. At December 31, 2009, and December 31, 2008, our portfolio had net unrealized gains of $399,000 and $427,000, respectively.

Cash and Due From Banks

Cash and due from banks, interest bearing deposits and federal funds sold comprise this category, which consists of our most liquid assets. The aggregate amount in these three categories increased by $27.1 million, to $36.7 million at December 31, 2009, from $9.6 million at December 31, 2008. Federal funds sold increased by $5.8 million to $9.8 million at year-end 2009. The increase reflected security maturities and an increase in deposits.

Fixed Assets

Bank premises and equipment, net of accumulated depreciation was $3.0 million and $3.4 million at December 31, 2009 and 2008, respectively. The decrease primarily reflects sales of certain assets at net book value during 2009.

Bank Owned Life Insurance

Bank owned life insurance amounted to $1.9 million and $1.8 million at December 31, 2009 and 2008, respectively. The income earned on these policies is reflected in non-interest income. Such income was $38,000 and $60,000 for the years ending December 31, 2009 and 2008, respectively.

Other Real Estate Owned

Other real estate owned is comprised of two properties the Bank acquired through loan defaults. The value of properties we held totaled $1 million and $293,000 at December 31, 2009 and 2008 respectively. The increase in value was the result of the transfer of a condominium property valued at $834,000 during 2009. No gain or loss was recognized on other real estate owned in 2009.

<u>Liabilities</u>

Deposits

Deposits, comprised of non-interest-bearing and interest-bearing demand deposits, money market and savings, and time deposits, which include brokered time deposits, represent our major source of funding. Deposits are generally solicited from our market area through the offering of a variety of products to attract and retain customers, with a primary focus on multi-product relationships. Additionally, certificate of deposit promotions are utilized. Total deposits increased by $22.4 million to $94.7 million at December 31, 2009, from $72.3 million at December 31, 2008. Transaction account deposits between these dates increased 4.7% or $2.8 million to $62.7 million at December 31, 2009. The changes in our consumer products division, namely moving from offering our products primarily through third party relationships to offering them directly, has had an effect on our deposit structure, and the lower cost deposits previously associated with our third party relationships have declined as the third party relationships were wound up. The expansion of our electronic payments business which includes merchant acquiring services, and RCC and ACH transaction processing, has contributed to the growth in deposits and has offset the decline resulting from the exiting of third party relationships. Time deposits increased $19.6 million, or 158.0% to $32.0 million at December 31, 2009, versus $12.4 million at the prior year-end. The increase was primarily the result of $10.0 million in brokered time deposits we issued in second quarter of 2009 and growth from business customers. The brokered deposits were utilized as they were less costly than local deposits.

<u>Shareholders' Equity</u>

Total shareholders' equity increased $1.9 million to $41.4 million at December 31, 2009, versus $39.5 million at December 31, 2008. This increase was primarily the result of 2009 net income of $1.5 million and deferred compensation distributions of $384,000.

Off-Balance Sheet Arrangements

We are a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. 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. We use the same underwriting standards and policies in making credit commitments as we do for on-balance-sheet instruments.

Financial instruments whose contract amounts represent potential credit risk are commitments to extend credit of approximately $10.4 million and $166.8 million and standby letters of credit of approximately $236,000 and $131,000 at December 31, 2009 and 2008, respectively. The $156.4 million decline in commitments was primarily due to credit market effects on our credit card marketer. We closed the commitment lines on these accounts and transferred those accounts to the marketer in the fourth quarter of 2009. The commitments for 2009 and 2008 respectively include $4.7 million and $160.7 million in credit card commitments for which the resulting balances are sold after funding. Therefore, such amounts are not indicative of actual future liquidity requirements. The Bank has the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary or desirable. The Bank has written contingency plans that document the steps required to effectuate the termination of credit card lines. The purchasers maintain deposit balances at FBD which provide support for daily card funding and we closely monitor the liquidity resources of each purchaser. The non-credit card commitments to extend credit at December 31, 2009, were all variable rate commitments and may often expire without being drawn.

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. We underwrite commitments utilizing the same policies and procedures applicable to loans and evaluate 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 issued 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. See Note 9 of the notes to the consolidated financial statements included in this report.

Contractual Obligations and Other Commitments

We have entered into non-cancelable lease agreements for two retail branches, one of which includes administrative offices, expiring in 2026, a loan production office expiring in 2027 and an operating center expiring in 2030. Those expiration dates reflect options to renew. The leases are accounted for as operating leases. The minimum annual rental payments required under these leases are $12.0 million through the year 2030, assuming that all options to renew are exercised.

We have entered into employment contracts with both the Chief Executive Officer and Chairman of FBD, which provide for the payment of base salary and certain benefits through the year 2012. The aggregate amount of these future commitments at December 31, 2009 is approximately $3.2 million.

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. See Part I, Item 3, Legal Proceedings.

At December 31, 2009, we 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 $36.0 million, which represented 41.8% of gross loans receivable at December 31, 2009. 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 there is 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.

Interest Rate Risk Management

Interest rate risk management involves managing the extent to which interest-sensitive assets and interest-sensitive liabilities are matched. We attempt to optimize net interest income while managing period-to-period fluctuations therein. We typically define interest-sensitive assets and interest-sensitive liabilities as those that reprice within one year or less.

Interest rate risk has been maintained at relatively modest levels. The commercial loan portfolio is comprised primarily of either variable rate loans or of fixed rate loans which generally have repricing periods of five years or less. Consumer loans generally have terms of two years or less. Only modest amounts of long term mortgage backed securities (approximately $7.2 million), are owned, further limiting interest rate risk. While there is higher prepayment risk on these longer term securities, the amount is limited to the $7.2 million of mortgage backed securities owned as of December 31, 2009.

GAP Analysis

The difference between interest-sensitive assets and interest-sensitive liabilities is known as the "interest-sensitivity gap" ("GAP"). A positive GAP occurs when interest-sensitive assets exceed interest-sensitive liabilities repricing in the same time periods, and a negative GAP occurs when interest-sensitive liabilities exceed interest-sensitive assets repricing in the same time periods. A negative GAP suggests that a financial institution may be better positioned to take advantage of declining interest rates rather than increasing interest rates, and a positive GAP suggests the converse.

Static GAP analysis describes interest rate sensitivity at a point in time. However, it alone does not accurately measure the magnitude of changes in net interest income, as changes in interest rates do not impact all categories of assets and liabilities equally or simultaneously. Interest rate sensitivity analysis also requires assumptions about re-pricing certain categories of assets and liabilities. For purposes of interest rate sensitivity analysis, assets and liabilities are stated at either their contractual maturity, estimated likely call date, or earliest re-pricing opportunity.

Mortgage backed securities and amortizing loans are scheduled based on their anticipated cash flow, including prepayments based on historical data and current market trends. Savings, money market, and interest bearing demand accounts do not have a stated maturity or re-pricing term and can be withdrawn or re-priced at any time. Management estimates the re-pricing characteristics of these accounts based on historical performance and other deposit behavior assumptions. These deposits may re-price simultaneously, and accordingly, a portion of the deposits may be moved into time brackets exceeding one year. To the extent within its control, management may choose not to re-price liabilities proportionally to changes in market interest rates, for competitive or other reasons.

Shortcomings, inherent in a simplified and static GAP analysis, may result in an institution with a negative GAP having interest rate behavior associated with an asset-sensitive balance sheet. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Furthermore, re-pricing characteristics of certain assets and liabilities may vary substantially within a given time period. In the event of a change in interest rates, prepayments and other cash flows could also deviate significantly from those assumed in calculating GAP in the manner presented in the table below.

We attempt to manage our assets and liabilities in a manner that optimizes net interest income in a range of interest rate environments. Management uses GAP analysis and simulation models to monitor behavior of our interest sensitive assets and liabilities. Adjustments to the mix of assets and liabilities are made periodically in an effort to provide steady growth in net interest income.

Management presently believes that the effect on us of any future fall in interest rates, reflected in lower yielding assets, would be detrimental as we do not have the immediate ability to commensurately decrease rates on our interest bearing liabilities, primarily time deposits, other borrowings and certain transaction accounts. An increase in interest rates could have a positive effect on us, due to repricing of certain assets, primarily adjustable rate loans and federal funds sold, and a possible lag in the repricing of core deposits not fully assumed in the model.

The following tables present a summary of our interest rate sensitivity GAP at December 31, 2009. For purposes of these tables, we used assumptions based on industry data and historical experience to calculate the expected maturity of loans because, statistically, certain categories of loans are prepaid before their maturity date, even without regard to interest rate fluctuations. Additionally, certain prepayment assumptions were made with regard to investment securities based upon the expected prepayment of the underlying collateral of the mortgage-backed securities.

Interest Sensitivity Gap
at December 31, 2009
(Dollars in thousands)

	0–90 Days	91–180 Days	181–365 Days	1–2 Years	2–3 Years	3–4 Years	4–5 Years	More than 5 Years	Financial Statement Total	Fair Value
Interest Sensitive Assets:										
Investment securities and other interest-bearing balances	$ 35,730	$ 1,421	$ 1,884	$ 1,675	$ 528	$ 160	$ 46	$ 13	$ 41,457	$ 41,192
Average interest rate	0.53%	5.61%	5.61%	5.61%	5.61%	5.61%	5.61%	5.61%	-	
Loans receivable......................	42,796	4,015	9,685	12,258	6,350	4,563	3,003	3,407	86,077	87,450
Average interest rate	4.48%	6.47%	6.50%	6.68%	6.50%	6.50%	6.40%	6.18%	-	
Total...	78,526	5,436	11,569	13,933	6,878	4,723	3,049	3,420	127,534	128,642
Cumulative Totals	$ 78,526	$ 83,962	$ 95,531	$ 109,464	$ 116,342	$ 121,065	$ 124,114	$ 127,534		
Interest Sensitive Liabilities:										
Demand Interest Bearing.........	$ 717	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 717	$ 717
Average interest rate	0.75%	-	-	-	-	-	-	-	-	
Money Market and Savings	19,028	18,649	-	-	-	-	-	-	37,677	37,677
Average interest rate	1.24%	1.25%	-	-	-	-	-	-	-	
Time Deposits..........................	5,884	15,912	10,056	169	-	-	-	-	32,021	32,172
Average interest rate	1.97%	1.21%	2.39%	3.45%	-	-	-	-	-	-
Total...	25,629	34,561	10,056	169	-	-	-	-	70,415	70,566
Cumulative Totals	$ 25,629	$ 60,190	$ 70,246	$ 70,415	$ 70,415	$ 70,415	$ 70,415	$ 70,415		
Interest Rate Sensitivity GAP..................	52,897	(29,125)	1,513	13,764	6,878	4,723	3,049	3,420		
Cumulative GAP	52,897	23,772	25,285	39,049	45,927	50,650	53,699	57,119		
Interest Sensitive Assets/ Interest Sensitive Liabilities............................	306.41%	139.50%	136.00%	155.46%	165.23%	171.93%	176.26%	181.12%		
Cumulative GAP/ Total Earning Assets	41%	19%	20%	31%	36%	40%	42%	45%		

Our management believes that the assumptions utilized in evaluating our estimated net interest income are reasonable; however, the interest rate sensitivity of our assets, liabilities and off-balance sheet financial instruments as well as the estimated effect of changes in interest rates on estimated net interest income could vary substantially if different assumptions are used or actual experience differs from the experience on which the assumptions were based. Periodically, management makes arbitrary and judgmental changes to assumptions. Prepayments on residential mortgage loans and mortgage-backed securities have increased over historical levels due to the lower interest rate environment, and may result in reductions in margins.

Net Portfolio Value and Net Interest Income Analysis

Our interest rate sensitivity also is monitored by management through the use of models which generate estimates of the change in its net portfolio value ("NPV") and net interest income ("NII") over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The following table sets forth our NPV as of December 31, 2009 and reflects the changes to NPV as a result of immediate and sustained changes in interest rates as indicated.

Change in Interest Rates In Basis Points (Rate Shock)	Net Portfolio Value			NPV as % of Portfolio Value of Assets	
	Amount	$ Change	% Change	NPV Ratio	Change
	(Dollars in Thousands)				
200 bp	$45,423	$463	1.03%	38.71%	20 bp
100	45,240	280	0.62	38.59	8
Static	44,960	--	--	38.51	--
(100)	44,814	(146)	(0.33)	38.48	(3)
(200)	44,544	(416)	(0.92)	38.56	4

In addition to modeling changes in NPV, we also analyze potential changes to NII for a twelve-month period under rising and falling interest rate scenarios. The following table shows our NII model as of December 31, 2009.

Change in Interest Rates in Basis Points (Rate Shock)	Net Interest Income	$ Change	% Change
	(Dollars in Thousands)		
200 bp	$3,992	$465	13.18%
100	3,808	281	7.97
Static	3,527	--	--
(100)	3,381	(146)	(4.14)
(200)	3,110	(417)	(11.82)

The above table indicates that as of December 31, 2009, in the event of an immediate and sustained 200 basis point increase in interest rates, the Company's net interest income for the 12 months ending December 31, 2010 would be expected to increase by $465,000 or 13.2% to $4.0 million. However, a significant portion of such increase would result from non-interest-bearing demand deposits, which may decrease in higher rate environments and may fluctuate significantly for other reasons.

As is the case with our GAP analysis, certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in NPV and NII require the making of certain assumptions which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the models presented assume that the composition of our interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the NPV measurements and net interest income models provide an indication of interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results. The analysis excludes consumer installment loans whose future pricing characteristics are not possible to predict.

Capital Resources

We are required to comply with certain "risk-based" capital adequacy guidelines issued by the FDIC. The risk-based capital guidelines assign varying risk weights to the individual assets held by a bank. The guidelines also assign weights to the "credit-equivalent" amounts of certain off-balance sheet items, such as letters of credit and interest rate and currency swap contracts. Under these guidelines, banks are expected to meet a minimum target ratio for "qualifying total capital" to weighted risk assets of 8%, at least one-half of which is to be in the form of "Tier 1 capital". Qualifying total capital is divided into two separate categories or "tiers". "Tier 1 capital" includes common stockholders' equity, certain qualifying perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries, less goodwill, "Tier 2 capital" components (limited in the aggregate to one-half of total qualifying capital) include allowances for credit losses (within limits), certain excess levels of perpetual preferred stock and certain types of "hybrid" capital instruments, subordinated debt and other preferred stock. FBD did not have any goodwill at December 31, 2009 or December 31, 2008. Applying the federal guidelines, the ratio of qualifying total capital to weighted-risk assets, was 45.50% and 45.07% at December 31, 2009 and 2008, respectively, and as required by the guidelines, at least one-half of the qualifying total capital consisted of Tier l capital elements. Tier l risk-based capital ratios on December 31, 2009 and 2008 were 44.22% and 43.79%, respectively. At December 31, 2009 and 2008, we exceeded the requirements for risk-based capital adequacy under both federal and Delaware state guidelines, both of which may vary in the future.

Under FDIC regulations, a bank is deemed to be “well capitalized” when it has a “leverage ratio” (“Tier l capital to total assets”) of at least 5%, a Tier l capital to weighted-risk assets ratio of at least 6%, and a total capital to weighted-risk assets ratio of at least 10%. At December 31, 2009 and 2008, our leverage ratio was 31.97% and 32.21%, respectively. Accordingly, at December 31, 2009 and 2008, we were considered “well capitalized” under FDIC regulations.

Our shareholders’ equity as of December 31, 2009, totaled approximately $41.4 million compared to approximately $39.5 million as of December 31, 2008. This increase of $1.9 million primarily reflected 2009 net income of $1.5 million and deferred compensation distributions of $384,000. That net income also increased the book value per share of our common stock, which increased from $3.46 as of December 31, 2008, based upon 11,401,301 shares outstanding, to $3.63 as of December 31, 2009, based upon 11,418,901 shares outstanding.

Our equity to assets ratio decreased from 34.0% as of December 31, 2008, to 29.5% as of December 31, 2009. The decrease at year-end 2009 was primarily the result of increases in assets between the periods. Our average return on equity for 2009, 2008 and 2007 was 3.68%, 13.47% and 27.55% respectively; and our average return on assets for these respective years, was 1.23%, 4.14% and 6.13% respectively.

Regulatory Capital Requirements

Federal banking agencies impose three minimum capital requirements on our risk-based capital ratios based on total capital, Tier 1 capital, and a leverage capital ratio. The risk-based capital ratios measure the adequacy of a bank’s capital against the riskiness of its assets and off-balance sheet activities. Failure to maintain adequate capital is a basis for “prompt corrective action” or other regulatory enforcement action. In assessing a bank’s capital adequacy, regulators also consider other factors such as interest rate risk exposure; liquidity, funding and market risks; quality and level or earnings; concentrations of credit, quality of loans and investments; risks of any nontraditional activities such as subprime loans; effectiveness of bank policies; and management’s overall ability to monitor and control risks.

The following table presents our regulatory capital ratios at December 31, 2009 and 2008:

	Actual		For Capital Adequacy Purposes		To be well capitalized under regulatory capital guidelines	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
At December 31, 2009						
Total risk based capital	$ 42,377	45.50%	$ 7,451	8.00%	$ 9,314	10.00%
Tier 1 risk based capital	41,184	44.22%	3,725	4.00%	5,588	6.00%
Tier 1 leverage capital	41,184	31.97%	5,153	4.00%	6,441	5.00%
At December 31, 2008						
Total risk based capital	$ 40,358	45.07%	$ 7,164	8.00%	$ 8,955	10.00%
Tier 1 risk based capital	39,216	43.79%	3,582	4.00%	5,373	6.00%
Tier 1 leverage capital	39,216	32.21%	4,870	4.00%	6,088	5.00%

We believe that we met, as of December 31, 2009 and 2008, all capital adequacy requirements to which we are subject. As of December 31, 2009, the FDIC categorized us as well capitalized under the regulatory framework for prompt corrective action provisions of the Federal Deposit Insurance Act. There are no calculations or events since that notification, which management believes would have changed our category.

Our ability to maintain the required levels of capital is substantially dependent upon the success of our capital and business plans, the impact of future economic events on our loan customers and our ability to manage our interest rate risk, growth and other operating expenses.

In addition to the above minimum capital requirements, the FDIC approved a rule, implementing a statutory requirement that federal banking regulators specified “prompt corrective action” when an insured institution’s capital level falls below certain levels. The rule defines five capital categories based on several of the above capital ratios. We currently exceed the levels required for a bank to be classified as “well capitalized”. However, the FDIC may consider other criteria when determining such classifications, which criteria could result in a downgrading in such classifications. For instance, capital requirements are higher for consumer installment loans retained on the balance sheet.

Liquidity

Financial institutions must maintain liquidity to meet day-to-day requirements of depositors and borrowers, time investment purchases to market conditions and provide a cushion against unforeseen needs. Liquidity needs can be met by reducing assets or increasing liabilities; with the most liquid assets consisting of cash, amounts due from banks and federal funds sold.

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

Our most liquid assets comprised of cash and cash equivalents on the balance sheet, totaled $36.7 million and $9.6 million at December 31, 2009 and 2008, respectively. The increase in this category at December 31, 2009 reflected the impact of a $22.4 million increase in deposits. Loan maturities and repayments are another source of asset liquidity. Management estimates that in excess of $5.0 million of loans will be repaid in the six month period ending June 30, 2010.

Funding requirements have historically been satisfied by generating core deposits, or certificates of deposit with competitive rates, or by buying federal funds. In 2009, we started to utilize brokered deposits as a funding source as the rates paid on those deposits were lower than market rates.

Financial instruments whose contract amounts represent potential credit risk are commitments to extend credit of approximately $10.4 million and $166.8 million and standby letters of credit of approximately $236,000 and $131,000 at December 31, 2009 and 2008, respectively. The $156.4 million decline in commitments was primarily due to credit market effects on our credit card marketer. We closed the commitment lines on these accounts and transferred these accounts to the marketer in the fourth quarter of 2009. The $10.4 million in commitments for 2009 and $166.8 million in 2008 include $4.7 million and $160.7 million respectively in credit card commitments for which the resulting balances are sold after funding. Therefore such amounts are not indicative of actual future liquidity requirements. The Bank has the unilateral right to cancel the unused lines, in the unlikely event that that would become necessary or desirable. Also, the purchasers maintain deposit balances at FBD which provide support for daily card funding, and we closely monitor the liquidity resources of each purchaser. The Bank has written contingency plans that document the steps required to effectuate the termination of credit card lines. The non-credit card commitments to extend credit at December 31, 2009, were substantially all variable rate commitments and may often expire without being drawn. Certificates of deposit scheduled to mature in one year totaled $31.9 million at December 31, 2009. We anticipate that we will have sufficient funds available to meet our 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 with an approximate December 31, 2009 maximum borrowing capacity of $32.9 million, which is rarely used. We have also established a rarely used contingency line of credit with a correspondent bank to assist in managing our liquidity position. That line of credit totaled $4.0 million at December 31, 2009. As of December 31, 2009, we had no related outstanding balances for either accommodation. Decisions with respect to our securities portfolio generally reflect liquidity over other considerations.

Operating cash flows are primarily derived from cash provided from net income during the year and are another source of liquidity.

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 been able to generate certificates of deposit by matching Delaware market rates or paying a premium rate of 25 to 50 basis points over those market rates. It is anticipated that this source of liquidity will continue to be available; however, the incremental cost may vary depending on market conditions. Our securities portfolio is also available for liquidity.

The ALCO is responsible for managing our liquidity position and interest sensitivity. That committee's primary objective is to maximize net interest income while configuring our interest-sensitive assets and liabilities to manage interest rate risk and provide adequate liquidity for projected needs.

Investment Securities Portfolio

Our investment securities portfolio is intended to provide liquidity and contribute to earnings while diversifying credit risk. We attempt to maximize earnings while managing our exposure to interest rate risk. The securities portfolio consists primarily of U.S. Government agency securities. Our ALCO monitors and approves all security purchases. The decrease in securities in 2009 was a result of the maturity of three Federal Home Loan Discount Notes during 2009. There were no investment securities held to maturity at December 31, 2009 and 2008. Our mortgage backed securities consist of securities issued by the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA").

A summary of investment securities available-for-sale at December 31, 2009 and 2008 are as follows.

	2009	2008
Federal Home Loan Discount Notes	$ -	$ 14,751
Mortgage backed securities	7,205	7,453
Total amortized cost of securities	$ 7,205	$ 22,204
Total fair value of investment securities....................	$ 7,604	$ 22,631

The following table presents our contractual maturity distribution and weighted average yield of our securities portfolio at December 31, 2009 and 2008. Mortgage backed securities are presented without consideration of amortization or prepayments.

	Investment Securities Available for Sale at December 31, 2009										
	Within One Year		One to Five Years		Five to Ten Years		Past 10 Years		Total		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Fair value	Cost	Yield
	(Dollars in thousands)										
FHLB Discount Notes........	$ -	-	$ -	-	$ -	$ -	$ -	-	$ -	-	-
Mortgage backed securities	-	-	-	-	-	-	7,205	5.61%	7,604	7,205	5.61%
Total available for sale securities............................	$ -	-	$ -	-	$ -	$ -	$ 7,205	5.61%	$ 7,604	$ 7,205	5.61%

	Investment Securities Available for Sale at December 31, 2008										
	Within One Year		One to Five Years		Five to Ten Years		Past 10 Years		Total		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Fair value	Cost	Yield
	(Dollars in thousands)										
FHLB Discount Notes........	$ 14,751	2.91%	$ -	-	$ -	$ -	$ -	-	$ 14,947	$ 14,751	2.91%
Mortgage backed securities	-	-	-	-	-	-	7,453	5.90%	7,684	7,453	5.90%
Total available for sale securities............................	$ 14,751	2.91%	$ -	-	$ -	$ -	$ 7,453	5.90%	$ 22,631	$ 22,204	3.91%

Loan Portfolio

Our loan portfolio consists principally of secured and unsecured commercial loans including commercial real estate loans, loans secured by one-to-four family residential property, commercial construction, commercial and industrial loans and residential construction loans. Commercial loans are primarily secured 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 for fixed rate loans. The portfolio also includes consumer installment loans balances.

Our commercial loans typically range between $250,000 and $2.0 million but customers may borrow significantly larger amounts up to our secured legal lending limit of approximately $11.2 million at December 31, 2009. Individual customers may have several loans often secured by different collateral. The majority of consumer installment and other consumer loans and credit card receivables are sold without recourse, as internal guidelines limit retention of such loans to 25% of capital. All loans made to finance insurance premiums were also sold without recourse.

Our total loans increased $11.8 million, or 15.94%, to $86.1 million at December 31, 2009, from $74.2 million at December 31, 2008. The increase reflects additions to our commercial loan portfolio, the repurchase of participations on FBD originated loans and an increase in consumer installment loans. The loan increases were partially offset by the reduction of $1.3 million in credit card receivables in 2009 as we discontinued those products. At December 31, 2009, we had $5.1 million of consumer loan balances outstanding of which $5.0 million are short term consumer installment loans.

The following table sets forth our gross loans by major categories, excluding net deferred fees, for the periods indicated:

	At December 31, (Dollars in thousands) 2009	2008	2007	2006	2005
Commercial					
and commercial real estate	$ 64,527	$ 56,282	$ 51,816	$ 46,941	$ 36,273
Construction and land development	16,471	12,594	21,182	18,066	13,590
Total commercial	80,998	68,876	72,998	65,007	49,863
Consumer and other	5,078	5,366	6,348	4,550	3,059
Total loans, net of unearned income	$ 86,076	$ 74,242	$ 79,346	$ 69,557	$ 52,922

Loan Maturity and Interest Rate Sensitivity

The amount of loans outstanding by category as of the dates indicated, which are due in one year or less, more than one year through five years, and over five years, is shown in the following table. Loan balances are also categorized according to their sensitivity to changes in interest rates:

	At December 31, 2009 (Dollars in thousands)			
	Commercial and Commercial Real Estate	Construction and Land Development	Consumer and Other	Total
Fixed Rate				
1 year or less	$ 11,899	$ 4,640	$ 4,504	$ 21,043
1-5 years	28,870	2,592	559	32,021
After 5 years	11,237	-	-	11,237
Total fixed rate	52,006	7,232	5,063	64,301
Adjustable Rate				
1 year or less	6,690	2,178	15	8,883
1-5 years	5,389	7,061	-	12,450
After 5 years	442	-	-	442
Total adjustable rate	12,521	9,239	15	21,775
Total	$ 64,527	$ 16,471	$ 5,078	$ 86,076

In the ordinary course of business, loans maturing within one year may be renewed, in whole or in part, as to principal amount, at interest rates prevailing at the date of renewal.

At December 31, 2009, 74.7% of total loans were fixed rate compared to 61.7% at December 31, 2008.

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 credit facilities for community banking loans. A committee of our board of directors oversees the loan approval process to monitor that proper standards are maintained, while approving the majority of commercial loans.

Loans, including impaired loans, are generally classified as non-accrual if they are past due as to maturity or payment of interest or principal for a period of more than 90 days, unless such loans are well-secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt. We have one relationship totaling $1.8 million which is classified as non-accrual but which the customer is currently making payments. Payments made to this loan will be applied to principal.

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

While a loan is classified as non-accrual or as an impaired loan and the future 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.

For non-accrual loans, which have been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered.

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

	At December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(Dollars in thousands)				
Loans accruing, but past due 90 days or more	$ 240	$ -	$ -	$ -	$ -
Restructured loans	-	-	-	-	-
Non-accrual loans	2,346	2,116	970	31	198
Total non-performing loans	2,586	2,116	970	31	198
Other real estate owned	1,049	293	18	31	-
Total non-performing assets (1)	$ 3,635	$ 2,409	$ 988	$ 62	$ 198
Non-performing loans as a percentage of total loans net of unearned income (1)	3.00%	2.85%	1.22%	0.04%	0.37%
Non-performing assets as a percentage of total assets	2.59%	2.07%	0.83%	0.05%	0.24%

(1) Non-performing loans are comprised of loans that are on a non-accrual basis, accruing loans that are 90 days or more past due, and restructured loans. Non-performing assets are composed of non-performing loans and other real estate owned.

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 December 31, 2009, all identified problem loans are included in the preceding table, are classified, with a reserve allocation in the allowance for loan losses (see “Allowance for Loan Losses”). Management believes that the appraisals and other estimates of the value of the collateral pledged against the non-accrual loans generally exceed the amount of related balances. The increase in non-performing assets to $3.6 million in 2009 resulted primarily from the transfer of one relationship to OREO in the first quarter of 2009 and the placement of one relationship totaling $1.8 million into non-accrual in the fourth quarter of 2009. The $1.8 million relationship was charged down by $400,000 in the fourth quarter of 2009 and is now classified as substandard with a general reserve. The loan is currently in non-accrual and the borrower continues to make payments. Any payments made are used to reduce the principal balance.

The following summary shows the impact on interest income of non-accrual loans for the periods indicated:

	For the Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
Interest income that would have been recorded had the loans been in accordance with their original terms	$19,000	$49,000	$ 70,000	$ 3,000	$ 17,000
Interest income included in net income	-	-	-	-	-

Allowance for Loan Losses

A detailed analysis of our allowance for loan losses for the years ended December 31, is as follows:

	For the Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(Dollars in thousands)				
Balance at beginning of period	$ 2,935	$ 2,581	$ 1,860	$ 1,684	$ 1,050
Charge-offs:					
Commercial and commercial real estate	997	170	-	-	-
Consumer	-	137	-	-	-
Credit cards	1,128	1,450	4	88	18
Consumer installment loans	2,182	2,508	454	804	1,619
Total charge-offs	4,307	4,265	458	892	1,637
Recoveries:					
Commercial and commercial real estate	-	-	-	-	10
Consumer	46	38	2	87	3
Credit cards	12	4	-	-	-
Consumer installment loans	452	392	35	33	400
Total recoveries	510	434	37	120	413
Net charge-offs	3,797	3,831	421	772	1,224
Provision for loan losses	4,374	4,185	1,142	948	1,858
Balance at end of period	$ 3,512	$ 2,935	$ 2,581	$ 1,860	$ 1,684
Average loans outstanding (1)	$ 76,858	$ 77,004	$ 73,260	$ 60,595	$ 47,916
As a percent of average loans (1):					
Net charge-offs	4.94%	4.98%	0.57%	1.27%	2.56%
Provision for loan losses	5.69	5.43	1.55	1.56	3.88
Allowance for loan losses	4.57	3.81	3.52	3.07	3.52
Allowance for loan losses to:					
Total loans, net of unearned income	4.08%	3.95%	3.25%	2.67%	3.18%
Total non-performing loans	135.81%	138.71%	266.08%	6000.00%	850.50%

(1) Includes non-accruing loans.

In the first quarter of 2009, the bank charged off $363,000 on two loans to one borrower which was secured by land and improvements for new condominium construction in Lewes, Delaware. The remainder of this loan was transferred to other real estate owned. In the second quarter of 2009, we charged off $154,000 on a loan secured by an apartment building in New York City. The remainder of the loan was repaid. In the fourth quarter of 2009, FBD charged off a portion two loans to the same borrower totaling $400,000. FBD still has $1.8 million of this loan which is classified as sub-standard and non-accrual remaining. This loan is a participation from another bank and is in FBD’s market area. FBD also completely charged off one loan totaling $80,000 in the fourth quarter of 2009. 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.

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

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

Estimating the appropriate level of the allowance for loan losses at any given date is difficult, particularly in a continually changing economy. In management's opinion, the allowance for loan losses was adequate at December 31, 2009. However, if asset quality deteriorates in future periods, additions to the allowance for loan losses may be required.

Management is unable to determine in which loan category future charge-offs and recoveries may occur. The following schedule sets forth the allocation of the allowance for loan losses among various categories. The allocation is accordingly based upon historical experience. The entire allowance for loan losses is available to absorb loan losses in any loan category:

	At December 31, (Dollars in thousands)									
	2009		2008		2007		2006		2005	
Allocation of the allowance for loan losses (1):	**Amount**	**% of Loans**	**Amount**	**% of Loans**	**Amount**	**% of Loans**	**Amount**	**% of Loans**	**Amount**	**% of Loans**
Commercial and commercial real estate	$ 834	75.0%	$ 656	75.8%	$ 536	65.3%	$ 494	72.5%	$ 289	68.5%
Construction and land development	533	19.1%	337	17.0%	159	26.7%	76	21.0%	152	25.7%
Consumer loans and credit cards	1,809	5.9%	1,824	7.2%	1,729	8.0%	1,131	6.5%	1,091	5.8%
Unallocated	336	-	118	-	157	-	159	-	152	-
Total	$ 3,512	100%	$ 2,935	100%	$ 2,581	100%	$ 1,860	100%	$ 1,684	100%

(1) Gross loans net of unearned income.

Loans are placed on non-accrual if they are over ninety days delinquent or if a risk of repayment arises. Currently we are not aware of any potential problems in our loan portfolio and management closely monitors the portfolio to avert potential problems. Our Internet consumer loan program will continue to incur charge offs, but those charge offs are factored into the programs pricing and are monitored regularly.

In the fourth quarter of 2008, we refined our loan loss methodology based upon an examination of the majority of our outstanding commercial and construction loans. We assigned allowance allocation percentages based upon multiple risk ratings which were assigned to each non classified loan. Classified loans were also considered individually, with allowance allocations determined based on certain characteristics. Consumer installment loans and credit cards maintained on the balance sheet are aggregated by various groups, with an allocation percentage determined for each group which considers relevant factors, including charge offs, and delinquencies and industry experience which in some cases is greater than our experience. We will continue to evaluate allocation percentages and may adjust these estimates on the basis of charge-off history, economic conditions or other relevant factors. We also provide specific reserves for impaired loans to the extent the estimated realizable value of the underlying collateral is less than the loan balance, when the collateral is the only source of repayment.

Also, we may estimate and recognize reserve allocations above these reserve percentages based upon any factor that might impact the loss estimates. Those factors include but are not limited to the impact of economic conditions on the borrower and management's potential alternative strategies for loan or collateral disposition. We provide specific reserves for impaired loans to the extent the estimated realizable value of the underlying collateral is less than the loan balance, when the collateral is the only source for repayment. We also provide reserves on classified loans based upon any facts that might impact loss estimates. At year end 2009 compared to 2008, the unallocated component of the reserve increased $218,000 to $336,000, while year end loans increased $11.8 million to $86.1 million from $74.2 million. The unallocated allowance is established for losses that have not been identified through the formulaic and other specific components of the allowance as described above. Management has identified several factors that impact credit losses that are not considered in either the formula or the specific allowance segments. These factors consist of macro and micro economic conditions, industry and geographic loan concentrations, changes in the composition of the loan portfolio, changes in underwriting processes and trends in problem loan and loss recovery rates. The impact of the above is considered in light of management's conclusions as to the overall adequacy of underlying collateral and other factors.

The majority of our loan portfolio represents loans made for commercial and commercial real estate purposes. We attempt to evaluate larger loans individually, on the basis of our 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. Different types of short-term consumer loans are evaluated separately. At December 31, 2009, commercial and construction loans totaled $81.0 million and consumer loans totaled $5.1 million.

The recorded investment in loans that are impaired in accordance with ASC 310 totaled $4.9 million and $2.1 million at December 31, 2009 and 2008 respectively. The amounts of related valuation allowances were $0 and $1 million, respectively at those dates, however an additional reserve of $568,000 has been established for the $4.9 million at December 31, 2009 as the result of an FDIC examination. FBD did not recognize interest income for loans that were impaired loans under ASC 310 in the years ended 2009 or 2008. FBD realized interest income on impaired loans during 2009 of $237,000. It did not recognize interest on impaired loans in 2008. There were no commitments to extend credit to any borrowers with impaired loans as of the end of the periods presented herein.

At December 31, 2009 and 2008, accruing classified loans totaled approximately $3.1 million and $0 respectively. We do not classify short term consumer loans as substandard; however, they may be classified as such for regulatory purposes. We had delinquent loans as follows: (i) 30 to 59 days past due, at December 31, 2009 and 2008, in the aggregate principal amount of $594,000 and $174,000 respectively; and (ii) 60 to 89 days past due, at December 31, 2009 and 2008 in the aggregate principal amount of $373,000 and $269,000 respectively.

There were two properties held in other real estate owned at December 31, 2009, valued at $1.0 million. A total of $834,000 secured by land and improvements for new condominium construction was transferred to other real estate owned in first quarter 2009. There were two loans totaling $1.2 million secured by that property, of which $363,000 was charged off, with the balance of $834,000 transferred to other real estate owned. We also recorded proceeds of $78,000 during 2009 from sales of individual condominium units related to the condominium construction project. The other OREO property totaling $293,000 is a former retail food market. No proceeds were realized from this property in 2009. The following table is an analysis of the change in Other Real Estate Owned for the years ended December 31, 2009 and 2008.

(Dollars in thousands)	**2009**	**2008**
Balance at January 1,	$293	$18
Additions, net	834	293
Sales	78	(11)
Loss on sale	-	(7)
Balance at December 31,	$1,049	$293

Deposit Structure

Of the total average deposits of approximately $77.3 million held by us during the year ended December 31, 2009, approximately $25.5 million, or 33.0%, represented non-interest bearing demand deposits, compared to approximately $39.6 million, or 49.8%, of total daily average deposits during 2008. A significant amount of our deposits were generated by our card product customers and third party relationships. As we terminated third party relationships in connection with the changes in our consumer products division, related deposits were reduced or eliminated. Total deposits at December 31, 2009, consisted of $24.3 million in non-interest bearing demand deposits, $717,000 in interest bearing demand deposits, $37.7 million in savings and money market accounts, $13.3 million in time deposits under $100,000 and $18.8 million in time deposits greater than $100,000. In 2009, we began to expand our electronic payment processing business which includes offering deposit, ACH and RCC transaction processing and merchant acquiring services to merchants and independent sales organizations. These relationships generate deposits. In general, we pay higher interest rates on time deposits compared to other deposit categories. Our various deposit liabilities may fluctuate from period-to-period, reflecting customer behavior and our strategies to optimize net interest income. The following table is a distribution of the average balances of our deposits and the average rates paid thereon, for the years ended December 31, 2009, 2008 and 2007:

	For the Years Ended December 31, (Dollars in thousands)					
	2009		2008		2007	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
Demand deposits, non-interest-bearing	$25,526	–%	$39,633	–%	$34,120	–%
Demand deposits, interest-bearing	533	1.44%	329	0.94%	235	1.00%
Money market & savings deposits	29,006	1.30%	26,135	2.37%	30,057	4.59%
Time deposits	22,264	2.27%	13,549	4.18%	33,335	5.28%
Total deposits	$77,329	1.15%	$79,646	1.49%	$97,747	3.21%

The following is a breakdown by contractual maturity, of our time certificates of deposit issued in denominations of $100,000 or more as of December 31, 2009

	Certificates of Deposit
	(Dollars in thousands)
Maturing in:	
Three months or less	$ 2,652
Over three months through six months	11,637
Over six months through twelve months	4,377
Over twelve months	100
Total	$ 18,766

The following is a breakdown, by contractual maturities of our time certificates of deposit for the years 2010 through 2011 and beyond (dollars in thousands).

	2010	2011	2012	2013	2014	Thereafter	Totals
				(Dollars in thousands)			
Time certificates of deposit	$ 31,852	$169	$ -	$ -	$ -	$ -	$ 32,021

Return on Equity and Assets

The following table presents our return on assets, return on equity, equity to assets ratio, and certain regulatory capital rations for the periods indicated.

	At or for the Years Ended December 31,	
	2009	2008
Return on average assets	1.23%	4.14%
Return on average shareholders' equity	3.68%	13.47%
Average equity to average assets	33.43%	30.72%
Leverage Capital	31.97%	32.21%
Total Risk Based Capital	45.50%	45.07%

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 our need and ability to react to changes in interest rates. As discussed previously, management attempts to maintain an essentially balanced position between rate sensitive assets and liabilities over a one-year time horizon in order to protect net interest income from being affected by wide interest rate fluctuations.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of FBD begin on Page 51 and are incorporated by reference into this Item.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation of the effectiveness of our “disclosure controls and procedures” (as such term is defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) was carried out by us under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based upon that evaluation, our CEO and CFO concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the FDIC.

Management's Annual Report on Internal Control Over Financial Reporting

Management of First Bank of Delaware is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control – Integrated Framework, management of the Company has concluded the Company maintained effective internal control over financial reporting, as such term is defined in Securities Exchange Act of 1934 Rules 13a-15(f), as of December 31, 2009.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is also responsible for the preparation and fair presentation of the consolidated financial statements and other financial information contained in this report. The accompanying consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles and include, as necessary, best estimates and judgments by management.

Changes in internal control over financial reporting

As previously reported in the Company's Current Report on Form 8-K filed with the SEC on September 15, 2009, Paul Frenkiel resigned his position as Executive Vice President and Chief Financial Officer of First Bank of Delaware on September 14, 2009, and on such date Alonzo J. Primus, the current Chief Executive Officer and President of the Bank, was appointed to serve as the acting Chief Financial Officer of First Bank of Delaware. Mr. Primus is now both the Principal Executive Officer and the Principal Financial Officer of FBD.

ITEM 9B: OTHER INFORMATION

None.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Ethics is designed to deter wrongdoing and promote: (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the FDIC and in other public communications made by us; (iii) compliance with applicable governmental laws, rules and regulations; (iv) the prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and (v) accountability for adherence to the code. A copy of our Code of Ethics is available on the Company's website at www.fbdel.com.

Other Information

The other information required by this Item is incorporated by reference to our definitive proxy statement for our 2010 Annual Meeting of Shareholders scheduled for May 10, 2010, which proxy statement will be filed with the FDIC.

ITEM 11: EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2010 Annual Meeting of Shareholders scheduled for May 10, 2010, which proxy statement will be filed with the FDIC.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2010 Annual Meeting of Shareholders scheduled for May 10, 2010, which proxy statement will be filed with the FDIC.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2010 Annual Meeting of Shareholders scheduled for May 10, 2010, which proxy statement will be filed with the FDIC.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2010 Annual Meeting of Shareholders scheduled for May 10, 2010, which proxy statement will be filed with the FDIC.

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENTS SCHEDULES.

A. Financial Statements

(1) Report of Independent Registered Public Accounting Firm

(2) Consolidated Balance Sheets as of December 31, 2009 and 2008

(3) Consolidated Statements of Income for the years ended December 31, 2009 and 2008

(4) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2009 and 2008

(5) Consolidated Statements of Cash Flows for the years ended December 31, 2009 and 2008

(6) Notes to Consolidated Financial Statements

B. 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 for an annual report on Form 10-K).

Exhibit Number	Description	Manner of Filing
3.1	Amended Articles of Association	Filed Herewith
3.2	By-Laws	Filed Herewith
10.1	Employment Agreement Between First Bank of Delaware and Harry D. Madonna*	Incorporated by reference to Exhibit 10.3 to Form 8-K dated January 25, 2010
10.2	First Bank of Delaware Change of Control Policy*	Incorporated by reference to Exhibit 3.2 to Form 8-K dated January 31, 2005
10.3	First Bank of Delaware Deferred Compensation Plan	Filed Herewith
10.4	Stock Option Plan and Restricted Stock Plan of First Bank of Delaware*	Incorporated by reference to Exhibit 10.2 to Form 10 filed January 11, 2005
10.5	Affinity Card agreement between First Bank of Delaware and CompuCredit Corporation.	Incorporated by reference to Exhibit 10.12 to Form 10-K filed March 31, 2008
10.6	Amendment to Affinity Card agreement between First Bank of Delaware and CompuCredit Corporation	Incorporated by reference to Exhibit 10.1 to Form 8-K dated October 6, 2009
10.7	Employment Agreement Between First Bank of Delaware and Alonzo J. Primus dated January 25,2010*	Incorporated by reference to Exhibit 10.2 to Form 8-K dated January 25, 2010
10.8	Order to Cease and Desist, Order for Restitution and Order to Pay	Incorporated by reference to Exhibit 10.1 to Form 10-K filed March 31, 2008
21.1	Subsidiaries of First Bank of Delaware	Filed Herewith
31.1	Rule 13a-14(a) Certification of President and Chief Executive Officer and Acting Chief Financial Officer	Filed Herewith
32.1	Section 1350 Certification of Alonzo J. Primus	Filed Herewith

* Constitutes a compensation agreement or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Philadelphia, Commonwealth of Pennsylvania.

FIRST BANK OF DELAWARE [registrant]

Date: March 29, 2010

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Date: March 29, 2010

/s/ Harry D. Madonna
Harry D. Madonna, Director and
Chairman of the Board

/s/ William Batoff
William Batoff, Director

/s/ Harris Wildstein
Harris Wildstein, Esq., Director

/s/ Alonzo J. Primus
Alonzo J. Primus, Director,
President, Chief Executive Officer
and Acting Chief Financial
Officer, First Bank of Delaware

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

OF

FIRST BANK OF DELAWARE

ParenteBeard

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
First Bank of Delaware

We have audited the accompanying consolidated balance sheets of First Bank of Delaware and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2009. First Bank of Delaware's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Bank of Delaware as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

ParenteBeard LLC

Malvern, Pennsylvania
March 29, 2010

FIRST BANK OF DELAWARE
CONSOLIDATED BALANCE SHEETS
December 31, 2009 and 2008
(Dollars in thousands, except per share data)

	2009	2008
ASSETS:		
Cash and due from banks	$2,886	$5,070
Interest-bearing deposits with banks	24,015	509
Federal funds sold	9,838	3,974
Total cash and cash equivalents	36,739	9,553
Investment securities available for sale, at fair value	7,604	22,631
Restricted stock, at cost	475	139
Loans receivable, (net of allowance for loan losses of $3,512 and $2,935 respectively)	82,564	71,307
Premises and equipment, net	2,977	3,430
Other real estate owned	1,049	293
Accrued interest receivable	315	248
Bank owned life insurance	1,855	1,817
Other assets	6,782	6,784
Total Assets	$140,360	$116,202
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Demand — non-interest-bearing	$24,299	$35,984
Demand — interest-bearing	717	90
Money market and savings	37,677	23,781
Time less than $100,000	13,255	11,627
Time over $100,000	18,766	808
Total Deposits	94,714	72,290
Accrued interest payable	191	175
Accrued expenses	2,280	2,620
Other liabilities	1,728	1,624
Total Liabilities	98,913	76,709
Shareholders' Equity:		
Common stock, par value $.05 per share; 15,000,000 shares authorized issued and outstanding 11,418,901 as of December 31, 2009 ; 11,401,301 as of December 31, 2008	571	570
Additional paid in capital	13,456	13,371
Retained earnings	27,157	25,659
Stock held by deferred compensation plan	-	(384)
Accumulated other comprehensive income	263	277
Total Shareholders' Equity	41,447	39,493
Total Liabilities and Shareholders' Equity	$140,360	$116,202

(See notes to consolidated financial statements)

FIRST BANK OF DELAWARE
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2009 and 2008
(Dollars in thousands, except per share data)

	2009	2008
Interest income:		
Interest and fees on loans	$9,574	$10,414
Interest on federal funds sold and other interest-earning assets	47	400
Interest and dividends on investment securities	673	735
	10,294	11,549
Interest expense:		
Demand – interest bearing	8	3
Money market and savings	377	620
Time less than $100,000	389	372
Time over $100,000	115	195
Other borrowed funds	2	-
	891	1,190
Net interest income	9,403	10,359
Provision for loan losses	4,374	4,185
Net interest income after provision for loan losses	5,029	6,174
Non-interest income:		
Loan advisory and servicing fees	34	104
Service fees on deposit accounts	129	238
Cash management income	525	231
Consumer loan fee income	2,169	4,451
Credit and prepaid card products	6,731	11,128
Insurance premium fee income	97	631
Gain on sale of loans	-	687
Bank owned life insurance income	38	60
	9,723	17,530
Non-interest expenses:		
Salaries and employee benefits	7,400	8,405
Occupancy	655	617
Depreciation	432	421
Legal	322	925
Insurance	283	201
Data processing and operational expense	490	484
Professional expenses	593	1,594
Director's fees	234	176
Telephone expenses	197	162
Credit card program processing expenses	255	736
Credit card program marketing expenses	-	596
Delaware franchise tax	71	403
Federal Deposit Insurance Corporation insurance expense	245	75
Miscellaneous expenses	354	310
Other operating expenses	930	928
	12,461	16,033
Income before income taxes	2,291	7,671
Provision for income taxes	793	2,616
Net Income	$1,498	$5,055
Earnings per share:		
Basic	$0.13	$0.44
Diluted	$0.13	$0.44

(See notes to consolidated financial statements)

FIRST BANK OF DELAWARE
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2009 and 2008
(Dollars in thousands)

	Shares Outstanding	Compre-hensive Income	Common Stock	Additional Paid in Capital	Retained Earnings	Stock Held by Deferred Compensation Plan	Accumulated Other Compre-hensive Income	Total Shareholders' Equity
Balance January 1, 2008	11,377,101		$ 569	$ 13,284	$ 20,604	$ (384)	$ 87	$ 34,160
Options exercised	24,200	–	1	33	–	–	–	34
Stock compensation	–		–	54	–	–	–	54
Total other comprehensive gain, net of reclassification adjustments and taxes		$ 190	–	–	–	–	190	190
Net income for the year		5,055	–	–	5,055	–	–	5,055
Total comprehensive income		$ 5,245			–		–	
Balance December 31, 2008	11,401,301		$ 570	$ 13,371	$ 25,659	$ (384)	$ 277	$ 39,493
Options exercised	17,600	–	1	13	–	–	–	14
Stock compensation	–		–	72	–	–	–	72
Deferred compensation stock distributions						384		384
Total other comprehensive loss, net of reclassification adjustments and taxes		$ (14)	–	–	–	–	(14)	(14)
Net income for the year		1,498	–	–	1,498	–	–	1,498
Total comprehensive income		$ 1,484			–		–	
Balance December 31, 2009	11,418,901		$ 571	$ 13,456	$ 27,157	$ -	$ 263	$ 41,447

(See notes to consolidated financial statements)

FIRST BANK OF DELAWARE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2009 and 2008
(Dollars in thousands)

	2009	2008
Cash flows from operating activities:		
Net income	$1,498	$5,055
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,374	4,185
Stock compensation expense	72	54
Deferred compensation stock distribution	384	-
Loss on sale of other real estate owned	-	7
Depreciation and amortization	432	421
Accretion of securities	(35)	-
Net gain on sale of loans	-	(687)
Increase in value of bank owned life insurance	(38)	(60)
Increase in other assets	(51)	(3,338)
Decrease in due to consumer loan servicers and purchasers	-	(84)
(Decrease) increase in accrued expenses and other liabilities	(220)	105
Net cash provided by operating activities	6,416	5,658
Cash flows from investing activities:		
Purchase of securities:		
Available for sale	(933)	(14,668)
Restricted stock purchase	(336)	(15)
Principal collected on securities available for sale	15,967	9,524
Gross loans originated for sale	-	(54,972)
Proceeds from sales of loans	-	55,798
Net decrease (increase) in loans	(16,465)	980
Net proceeds from sale of real estate owned	78	11
Premises and equipment expenditures	(396)	(276)
Proceeds from sales of premises and equipment	417	-
Net cash used in investing activities	(1,668)	(3,618)
Cash flows from financing activities:		
Net proceeds from exercise of stock options	14	34
Net (decrease) increase in demand, money market and savings deposits	2,838	(1,629)
Net increase (decrease) in time deposits	19,586	(6,884)
Net cash provided by (used in) financing activities	22,438	(8,479)
Increase (decrease) in cash and cash equivalents	27,186	(6,439)
Cash and cash equivalents, beginning of year	9,553	15,992
Cash and cash equivalents, end of year	$36,739	$9,553
Supplemental disclosures:		
Interest paid	$875	$1,389
Taxes paid	$1,000	$2,800
Non-monetary transfer from loans to other real estate owned	$ 834	$ 293

(See notes to consolidated financial statements)

FIRST BANK OF DELAWARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization:

First Bank of Delaware ("FBD" or "Bank"), a Delaware state-chartered bank, is located at Brandywine Commons II, Concord Pike and Rocky Run Parkway in Brandywine, New Castle County Delaware. FBD offers a variety of banking services and financial products in Delaware. As a Delaware state-chartered bank, we are subject to the regulation and examination of the Office of the State Bank Commissioner of the State of Delaware. As a state-chartered bank which is not a member of the Federal Reserve System, we are also subject to examination and comprehensive regulation by the Federal Deposit Insurance Corporation ("FDIC"). The deposits which are held by us are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. We operate a traditional community banking business, as well as a consumer products division from which we derive a majority of our net income. We have also engaged in mezzanine financing, but discontinued those operations during 2008.

We presently conduct our principal community banking activities through our two offices in Wilmington, Delaware. We offer a variety of credit and depository banking services. Our commercial loan services are primarily offered to individuals and businesses in the Delaware area through two offices in New Castle County, Delaware. FBD also offers electronic payment services, including merchant acquiring services, ACH transaction processing, remotely created check processing, and remote deposit capture services to businesses, merchants and independent sales organizations. These electronic payment services generate deposits and fee income. FBD also supports the Money Service Business ("MSB") industry, by providing services to check cashers, money transmitters and bill paying services. We are able to provide these types of companies with vault, check processing, remote capture and wire services.

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

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

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

Short term consumer loans are offered by FBD. At December 31, 2009, there were approximately $5.0 million in consumer installment loans on the balance sheet, originated via telephone and internet, but most loans are sold or participated to third parties. The participations sold at December 31, 2009 were $41.1 million. We evaluated these sales and determined that they qualify as sales under ASC 860.10. These loans generally have principal amounts of $2,500 or less.

FBD was an issuing bank for certain credit card programs. At December 31, 2009 we had no credit card receivables on our balance sheet as those receivables had been sold in the fourth quarter 2009. FBD originated credit card receivables and sold or participated the majority of such receivables into the secondary market. FBD earns a monthly fee for each active account. At December 31, 2009 and 2008 FBD had approximately $0 and $1.3 million, of which $1.1 million was our own directly offered card, respectively of credit card receivables on its books. As a result of discussions with the FDIC, most third party relationships involved in generating these loans and credit cards have been terminated, which materially has reduced and will continue to reduce revenues. FBD plans to directly offer a secured credit card, private label credit cards and a prime credit card in 2010. At December 31, 2009 FBD had no credit card receivables and no credit card balances on its books.

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

FBD issues open end lines of credit to the unbanked and under-banked consumer. The credit line program provides customers with cash advance funds placed onto their prepaid cards or demand deposit account. The program provides a credit line of up to an approved amount which is usually less than $600 and includes a 12 percent transaction fee on the amount of the advance taken. The approved credit line is based on a borrowers deposit history and other credit factors. To access the credit line, the customer must move funds into their account telephonically or via the internet prior to the customer having access to the advance proceeds. This distinguishes the product from overdraft products where customers may unknowingly overdraw their account and be charged excessive fees. FBD originates these credit line receivables and sells or participates the majority of such receivables into the secondary market. We earn a percentage of the transaction fees collected from customers. At December 31, 2009 FBD had no credit line receivables and no credit line balances on its books.

We originate consumer installment loans that are generally fully amortizing unsecured loans of $2,500 or less with a term of up to 24 months and have anywhere between 4 and 48 scheduled repayments. These loans are offered via the Internet and telephone. Customers must have an active checking account, valid identification and a regular source of income. Many of these loans are made to customers with subprime credit characteristics, but these customers still must meet our credit underwriting criteria which may include minimum FICO credit scores, scores from other non-traditional credit reporting agencies and debt to income thresholds. If approved, FBD then assigns a maximum amount for the loan. FBD believes that this conservative qualification approach ensures that even consumers who borrow the lowest possible amount are not borrowing beyond their means. There are no late fees, deferral fees, extension fees, or rollover fees charged. In addition, there are no minimum finance charges or prepayment penalties associated with the product, and consumers are provided with a two-day rescission period during which they may cancel the loan without cost. Notably, refinances and roll-overs are not available on this product. Upon approval, a customer is then provided a loan agreement, which he or she signs, and the funds are then electronically deposited into the customer's checking account. Principal and interest payments are due at least monthly. Customers may repay their loans via ACH transactions from their bank account or by money order. These loans carry an annual interest rate of approximately 87% to 334%. Loans that were previously offered had terms of up to 120 months, but we no longer make those loans and none are on our balance sheet.

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

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

2. Summary of Significant Accounting Policies:

<u>Basis of Presentation:</u>

The consolidated financial statements include the accounts of FBD and its wholly-owned subsidiary, BSC Services Corp. Such statements have been presented in accordance with accounting principles generally accepted in the United States of America or applicable to the banking industry. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements. FBD has evaluated subsequent events through the date of issuance of the financial data herein in accordance with FASB ASC 855.

<u>Significant Estimates:</u>

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, assessment of other-than-temporary impairment of investment securities and restricted stock, carrying values of other real estate owned, and deferred taxes. 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 the allowance for loan losses and carrying value of real estate owned are dependent, to a great extent, on the general economy and other conditions that may be beyond our control, it is at least reasonably possible that the estimates of the allowance for loan losses and the carrying values of the real estate owned could differ materially in the near term.

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

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

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

One of the companies which no longer markets our consumer loans and another which markets the Bank's credit cards, generated respective loans and credit card products which resulted in revenues greater than 10% of total revenues. In 2009, revenues from the company that markets cards totaled $5.2 million, which represented 26.1% of total revenues of $20.0 million. In 2008, two companies that marketed our loans and credit cards which respectively generated $3.5 million (11.9%) and $6.2 million (21.2%) of total revenues of $29.1 million.

FBD generates a substantial portion of its income by selling or participating loans to various purchasers. Should purchasers be unable to acquire funding, sales or participations might be curtailed or eliminated with a material reduction in income.

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 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. This amount totals $1.5 million. FBD has paid this amount. FBD has taken a charge of $350,000 for its share of potential losses. We are seeking reimbursement of the remaining amount from third parties and insurance. If these reimbursements do not occur, FBD may have to take a charge for the remaining amount totaling $1.1 million.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, FBD considers all cash and due from banks, interest-bearing deposits with an original maturity of ninety days or less and federal funds sold to be cash and cash equivalents.

Restrictions on Cash:

FBD is required to maintain certain average reserve balances as established by the Federal Reserve Board. The amounts of those balances for the reserve computation periods that include December 31, 2009 and 2008 were $234,000 and $779,000 at each of those dates. These requirements were satisfied through the restriction of vault cash and a balance at the Federal Reserve Bank of Philadelphia.

Investment Securities:

Debt investment securities are classified in one of three categories, as applicable, and accounted for as follows: debt securities which FBD has the positive intent and ability to hold to maturity are classified as "securities held to maturity" and are reported at amortized cost; debt and equity securities that are bought and sold in the near term are classified as "trading" and are reported at fair value with unrealized gains and losses included in earnings; and debt and equity securities not classified as either held to maturity or trading securities are classified as "investment securities available for sale" and are reported at fair value with net unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. Gains or losses on disposition are based on the net proceeds and cost of securities sold, adjusted for amortization of premiums and accretion of discounts, using the specific identification method. We did not have any investment securities designated as held to maturity or trading during 2009 and 2008.

Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) that FBD does not intend to sell and would not be required to sell its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Restricted Stock:

Restricted stock, which represents required investment in the common stock of correspondent banks, is carried at cost and as of December 31, 2009 and December 31, 2008, consists of the common stock of the Federal Home Loan Bank ("FHLB") of Pittsburgh, totaling $415,000 and Atlantic Central Bankers Bank ("ACBB"), totaling $60,000. In December 2008, the FHLB of Pittsburgh notified member banks that it was suspending dividend payments and the repurchase of capital stock. FHLB of Pittsburgh has not notified FBD when it will resume dividend payments or allow the repurchase of stock.

Management evaluates the restricted stock for impairment in accordance with Statement of Positions ASC 942.1, *Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others*. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB.

Management believes no impairment charge is necessary related to the restricted stock as of December 31, 2009.

Loans and Allowance for Loan Losses:

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the amount of unpaid principal, reduced by unearned income and an allowance for loan losses. Interest on loans is calculated based upon the principal amounts outstanding. FBD defers and amortizes certain origination and commitment fees, and certain direct loan origination costs over the contractual life of the related loan. This results in an adjustment of the related loan yields.

FBD accounts for amortization of premiums and accretion of discounts related to loans purchased and investment securities based upon the effective interest method. If a loan prepays in full before the contractual maturity date, any unamortized premiums, discounts or fees are recognized immediately as an adjustment to interest income.

Loans are generally classified as non-accrual if they are past due as to maturity or payment of principal or interest 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. FBD has one relationship that meets the criteria. We have one relationship totaling $1.8 million that meets this criteria. 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 of interest and principal by the borrower, in accordance with the contractual terms. Generally, in the case of non-accrual loans, cash received is applied to reduce the principal outstanding.

The allowance for loan losses is established through a provision for loan losses charged to operations. Loans are charged against the allowance when management believes that the collectability of the loan principal is unlikely. Recoveries on loans previously charged off are credited to the allowance.

The allowance is an amount that represents management’s best estimate of known and inherent loan losses. Management’s evaluations of the allowance for loan losses consider such factors as an examination of the portfolio, past loss experience, the results of the most recent regulatory examination, current economic conditions and other relevant factors.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are impaired in accordance with ASC 310. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified and classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management’s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. We also establish specified allowance percentages on classified loans which are not impaired. These loans are assigned allowances based on inherent losses related to collateral dependency, collateral deficiency and guarantor support. These loans represent an above-average credit risk, yet may not present a collateral deficiency which results in the need for an ASC 310 analysis and subsequent charge-off. Classification of a loan is based on identified weaknesses that increase the credit risk of the loan.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment, include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration of all the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

The Bank accounts for transfers of financial assets in accordance with ASC 860.10, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The majority of consumer loans are sold to third parties without recourse. FBD records fees on sold loans as non-interest income. FBD had total consumer loan participations sold of $41.1 million at December 31, 2009 and $29.7 million at December 31, 2008. FBD evaluated these sales and determined that they qualified as such under ASC 860.10.

FBD accounts for guarantees in accordance with ASC 460.10 *Guarantor’s Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others.* ASC 460.10 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee. The Bank has financial and performance letters of credit. Financial letters of credit require the Bank to make payment if the customer’s financial condition deteriorates, as defined in the agreements. Performance letters of credit require the Bank to make payments if the customer fails to perform certain non-financial contractual obligations. The maximum potential undiscounted amount of future payments of these letters of credit as of December 31, 2009 is $236,000 and they expire in 2010. Amounts due under these letters of credit would be reduced by any proceeds that the Bank would be able to obtain in liquidating the collateral for the loans, which varies depending on the customer.

Fees earned on short term consumer loans which are not sold or participated are recorded as interest income. At December 31, 2009, there were approximately $5.0 million of these loans outstanding.

Consumer installment loans, previously made under marketing and servicing agreements with third parties are now managed directly by FBD. The majority of such loans are sold to other third parties. Balances due to these third parties are shown in the balance sheet as “due to short term loan servicers and purchasers”.

While most consumer installment loans are sold, an allowance for loan loss is established for loans held on the balance sheet, based upon varying percentages applied to different products. The percentage reflects FBD experience and regulatory and other inputs.

Premises and Equipment:

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of buildings, furniture and equipment is calculated over the estimated useful life of the asset using the straight-line method. Leasehold improvements are amortized over the shorter of their estimated useful lives or terms of their respective leases, using the straight-line method. Repairs and maintenance are charged to current operations as incurred, and renewals and betterments are capitalized.

Other Real Estate Owned:

Properties held from defaulted loans are held at fair appraised value as determined by an independent appraisal review. FBD currently has two properties in other real estate owned with a fair market value in excess of $1 million.

Bank Owned Life Insurance:

FBD invests in bank owned life insurance ("BOLI") as a source of funding to purchase life insurance on certain employees. FBD is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies.

Advertising Costs:

It is our policy to expense advertising costs in the period in which they are incurred.

Income Taxes:

FBD accounts for income taxes under the liability method of accounting. Deferred tax assets and liabilities are established for the temporary differences between the financial reporting basis and the tax basis of FBD's assets and liabilities at the tax rates expected to be in effect when the temporary differences are realized or settled. The deferred tax assets may be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Earnings Per Share:

Earnings per share ("EPS") consists of two separate components, basic EPS and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for each period presented. Diluted EPS is calculated by dividing net income by the weighted average number of common shares outstanding plus dilutive common stock equivalents ("CSE"). Common stock equivalents consist of dilutive stock options granted through our stock option plan. The following table is a reconciliation of the numerator and denominator used in calculating basic and diluted EPS. Common stock equivalents, which are antidilutive are not included for purposes of this calculation. At December 31, 2009 and 2008, respectively, there were 928,572 and 880,500 anti dilutive options excluded from the computation of earnings per share because the option price was greater than the average market price, respectively.

(Dollars in thousands, except per share data)		**2009**		**2008**
Income (numerator for basic and diluted earnings per share)		$1,498		$5,055
	Shares	**Per Share**	**Shares**	**Per Share**
Weighted average shares outstanding for the period (denominator for basic earnings per share).......	11,413,824		11,390,982	
Earnings per share — basic		$0.13		$0.44
Effect of dilutive stock options.............................	5,244		23,067	
Effect on basic earnings per share of CSE............		$0.00		$0.00
Weighted average shares outstanding- diluted	11,419,068		11,414,049	
Earnings per share — diluted		$0.13		$0.44

Stock Based Compensation:

Effective January 1, 2006, the Company adopted Accounting Standards Codification 718, "Share-Based Payment," ("ASC 718") using the modified prospective method. ASC 718 requires compensation costs related to share-based payment transactions to be recognized in the income statement (with limited exceptions) based on the grant-date fair value of the stock-based compensation issued. Compensation costs are recognized over the period that an employee provides service in exchange for the award. The adoption of Accounting Standards Codification 718 has an unfavorable impact on our net income and net income per share and will continue to do so in future periods as we recognize compensation expense for stock option awards.

At December 31, 2009 and 2008, FBD maintained a Stock Option Plan (the "Plan") under which we grant options to our employees and directors. Under terms of the plan, 1.5 million shares of common stock are reserved for such options. The Plan provides that the exercise price of each option granted equals the market price of our stock on the date of grant. Any options granted vest within one to five years and have a maximum term of 10 years.

For the year ended December 31, 2009, $72,000 was recognized in compensation expense for the Stock Option Plan versus $54,000 in 2008.

Comprehensive Income:

The components of other comprehensive income (loss), net of tax, are as follows:

For the year ended December 31, 2009
(Dollars in thousands)

	Before Tax Amount	Tax Benefit	Net of Tax Amount
Unrealized losses on securities:			
Unrealized holding losses arising during the period	$ (28)	$ 14	$ (14)
Other comprehensive loss	$ (28)	$ 14	$ (14)

For the year ended December 31, 2008
(Dollars in thousands)

	Before Tax Amount	Tax Benefit	Net of Tax Amount
Unrealized gains on securities:			
Unrealized holding gains arising during the period	$ 292	$ (102)	$ 190
Other comprehensive gain	$ 292	$ (102)	$ 190

Recent Accounting Pronouncements:

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

In August 2009, the FASB issued Accounting Standards Update ("ASU") 2009-5, "Measuring Liabilities at Fair Value", which updates ASC 821-10, "Fair Value Measurements and Disclosures". The updated guidance clarifies that the fair value of a liability can be measured in relation to the quoted price of the liability when it trades as an asset in an active market, without adjusting the price for restrictions that prevent the sale of the liability. This guidance was effective beginning October 1, 2009. The adoption had no impact on our financial position, results of operations, and earnings per share.

In June 2009, the FASB issued new guidance impacting FASB ASC 860, Transfers and servicing (Statement No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140).* This codification prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, ASC 860 amends Statement of Financial Standard No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, or SFAS 140, by removing the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FIN 46(R) to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in SFAS 140. ASC 860 is effective for fiscal years beginning after November 15, 2009. The adoption had no impact on our financial position, results of operations, and earnings per share.

In June 2009, the FASB issued new guidance impacting FASB ASC 810-10, Consolidation (Statement No. 167, *Amendments to FASB Interpretation No. 46(R).* The new guidance amends tests for variable interest entities to determine whether a variable interest entity must be consolidated. FASB ASC 810-10 requires an entity to perform an analysis to determine whether an entity's variable interest or interests give it a controlling financial interest in a variable interest entity. This standard requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and enhanced disclosures that provide more transparent information about an entity's involvement with a variable interest entity. The new guidance will become effective for fiscal years beginning after November 15, 2009. The adoption had no impact on our financial position, results of operations, and earnings per share.

In June 2009, the FASB issued FASB ASC 105-10, Generally Accepted Accounting Principles (Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles).* The new guidance replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, to establish the *FASB Accounting Standards Codification* as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with generally accepted accounting principles in the United States. The new guidance became effective for interim and annual periods ending after September 15, 2009. The adoption of this guidance did not have an impact on our financial position or results of operations.

In April 2009, the FASB issued new guidance impacting FASB ASC 820, Fair Value Measurements and Disclosures (FASB Staff Position (FSP) No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4)). FASB ASC 820, defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FASB ASC 820 provides additional guidance on determining when the volume and level of activity for the asset or liability has significantly decreased. The FSP also includes guidance on identifying circumstances when a transaction may not be considered orderly.

FASB ASC 820 provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with Statement 157.

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

This ASC is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We adopted this pronouncement in second quarter 2009 and it had no impact on our financial statements.

Reclassifications:

Certain reclassifications have been made to the 2008 information to conform to the current year's presentation.

3. Investment Securities:

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

(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Mortgage Backed Securities	$ 7,205	$ 399	$ -	$ 7,604
Total	$ 7,205	$ 399	$ -	$ 7,604

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

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

The maturity distribution of the amortized cost and estimated fair value of investment securities by contractual maturity at December 31, 2009, is as follows:

	Available for Sale	
(Dollars in thousands)	**Amortized Cost**	**Estimated Fair Value**
After 1 year to 5 years	$ -	$ -
After 10 years	7,205	7,604
Total	$ 7,205	$ 7,604

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 2009 or 2008. The Federal Home Loan Bank Discount notes matured during 2009.

There were no pledged securities as of December 31, 2009 and 2008.

At December 31, 2009 and December 31, 2008, FBD held no securities with unrealized losses.

4. Loans Receivable:

Loans receivable consist of the following at December 31,

(Dollars in thousands)	2009	2008
Commercial - real estate and other	$ 64,527	$ 56,218
Construction and land development	16,471	12,594
Consumer and other	5,075	5,366
Loans receivable	86,073	74,178
Less net deferred loan fees	3	64
Less allowance for loan losses	(3,512)	(2,935)
Total loans receivable, net	$ 82,564	$ 71,307

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 December 31, 2009, 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 $36.0 million, which represented 41.8% of gross loans receivable at December 31, 2009. 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 $644,000 and $2.7 million at December 31, 2009 and 2008, 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.

(Dollars in thousands)	2009	2008
Balance at beginning of year	$2,656	$4,172
Additions	-	-
Repayments	2,012	1,516
Balance at end of year	$ 644	$2,656

5. Allowance for Loan Losses:

Changes in the allowance for loan losses for the years ended December 31, are as follows:

(Dollars in thousands)	2009	2008
Balance at beginning of year	$ 2,935	$2,581
Charge-offs	(4,307)	(4,265)
Recoveries	510	434
Provision for loan losses	4,374	4,185
Balance at end of year	$ 3,512	$2,935

A loan is considered impaired in accordance with ASC 310, when based on current information and events, it is probable that FBD will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans can include nonperforming commercial loans and also include internally classified accruing loans. The recorded investment in loans, which are impaired in accordance with ASC 310 totaled $4.9 million and $2.1 million at December 31, 2009 and 2008 respectively. The amounts of related valuation allowances required under ASC 310 were $0 and $1.0 million, respectively at those dates, however an additional reserve of $568,000 has been established for the $4.9 million at December 31, 2009 as the result of an FDIC examination. FBD did not recognize interest income for loans that were impaired loans under ASC 310 in the years ended 2009 or 2008. FBD realized interest income on impaired loans during 2009 of $237,000. It did not recognize interest on impaired loans in 2008. There were no commitments to extend credit to any borrowers with impaired loans as of the end of the periods presented herein.

As of December 31, 2009 and 2008, there were loans of approximately $2.3 million and $2.1 million respectively, which were classified as non-accrual. 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 related balances. If these loans were performing under their original contractual rate, interest income on such loans would have increased approximately $19,000 and $32,000, for 2009 and 2008 respectively. Loans past due 90 days and still accruing totaled $240,000, and $0 respectively, at December 31, 2009 and December 31, 2008.

6. Premises and Equipment:

A summary of premises and equipment at December 31 is as follows:

(Dollars in thousands)	**Useful lives**	**2009**	**2008**
Furniture and equipment	3 to 13 years	$2,513	$2,196
Banking building	40 years	917	917
Leasehold improvements	20 to 23 years	2,072	2,457
		5,502	5,570
Less accumulated depreciation		(2,525)	(2,140)
Net premises and equipment		$2,977	$3,430

Depreciation expense on premises, equipment and leasehold improvements amounted to $432,000 and $421,000 in 2009 and 2008 respectively.

7. Deposits:

The following is a breakdown by contractual maturity of FBD's time certificates of deposit as of December 31, 2009 for the years 2010 and 2011, which is the longest remaining maturity.

(Dollars in thousands)	**2010**	**2011**	**Totals**
Time certificates of deposit	$31,852	$169	$32,021

Deposits of related parties totaled $4.1 million and $5.7 million at December 31, 2009 and 2008. FBD retains deposits that are restricted or due to third parties. These deposits amounted to $9.3 million at December 31, 2009 compared to $20.8 million at December 31, 2008. The decrease resulted from discontinuing third party relationships.

8. Income Taxes:

The following represents the components of income tax expense for the years ended December 31, 2009 and 2008 respectively.

(Dollars in thousands)	**2009**	**2008**
Current provision		
Federal:		
Current	$ 897	$ 2,913
Deferred	(104)	(297)
Total provision for income taxes	$ 793	$ 2,616

The following table accounts for the difference between the actual tax provision and the amount obtained by applying the statutory federal income tax rate of 34.0% to income before income taxes for the years ended December 31, 2009 and 2008.

(Dollars in thousands)	**2009**	**2008**
Tax provision computed at statutory rate	$ 779	$ 2,608
Bank owned life insurance	(13)	(20)
Other	27	28
Total provision for income taxes	$ 793	$ 2,616

The approximate tax effect of each type of temporary difference and that gives rise to net deferred tax assets included in the other assets in FBD balance sheets at December 31, 2009 and 2008 are as follows:

(Dollars in thousands)	**2009**	**2008**
Allowance for loan losses	$ 1,194	$ 999
Deferred compensation plan	151	235
Non accrual loan interest	22	40
Other	67	20
Deferred tax assets	1,434	1,294
Depreciation	(38)	(3)
Deferred loan costs	(56)	(55)
Unrealized gains on investments	(136)	(150)
Deferred tax liabilities	(230)	(208)
Net deferred tax assets	$ 1,204	$ 1,086

The realizability of the deferred tax asset is dependent upon a variety of factors, including the generation of future taxable income, the existence of taxes paid and recoverable, the reversal of deferred tax liabilities and tax planning strategies. Based upon these and other factors, management believes that it is more likely than not that FBD will realize the benefits of these deferred tax assets. All tax years for which the Internal Revenue Service has statutory authority to conduct audits are open, and there are no audits in progress for any years. The Bank’s federal and state tax returns are open and subject to examination from the 2005 tax return year and forward.

9. Financial Instruments with Off-Balance Sheet Risk:

FBD is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. 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 are commitments to extend credit of approximately $10.4 million and $166.8 million and standby letters of credit of approximately $236,000 and $131,000 at December 31, 2009 and 2008, respectively. The $156.4 million decline in commitments was primarily due to credit market effects on our credit card marketer. We closed the commitment lines on these accounts and transferred these accounts to the marketer in the fourth quarter of 2009. The $4.7 million and $160.7 million of the commitments in 2009 and 2008 respectively represent unused credit card lines for which the outstanding balances are sold after funding. Therefore such amounts are not indicative of future liquidity requirements. The Bank has the unilateral right to cancel the unused lines, in the unlikely event that would become necessary or desirable. The Bank has written contingency plans that document the steps required to effectuate the termination of credit card lines. Also, the purchasers maintain deposit balances at FBD which provide support for daily credit card funding. Further, commitments may often expire without being drawn upon. The non-credit card commitments to extend credit at December 31, 2009, were substantially all variable rate commitments.

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 issued 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. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2009 and 2008 for guarantees under standby letters of credit issued is not material. Contingencies also include a standby letter of credit issued by an unrelated bank in the amount of $170,000, which was required by a lessor and renews annually.

10. Commitments:

Lease Arrangements:

As of December 31, 2009, FBD had entered into non-cancelable leases expiring through May 31, 2030 (including options to renew). The leases are accounted for as operating leases. The minimum annual rental payments required under these leases are as follows:

(Dollars in thousands)

Year Ended	**Amount**
2010	$ 524
2011	540
2012	550
2013	565
2014	576
Thereafter	9,231
Total	$ 11,986

FBD incurred rent expense of approximately $480,000 and $476,000 for the years ended December 31, 2009 and 2008 respectively.

Other:

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

Employment Agreements:

FBD has entered into two employment agreements with both the Chief Executive Officer and Chairman of FBD, which provide for the payment of base salary and certain benefits through the year 2012. The aggregate commitment for future salaries and benefits under these employment agreements at December 31, 2009 is approximately $3.2 million.

11. Regulatory Considerations:

Discussions with the FDIC are continuing to address FDIC concerns with the Bank's directly offered loan and credit card products. One of those concerns is the use and control over third party vendors which the Bank is taking additional steps to address. The Bank has engaged a consultant to assist in developing various plans that will address FDIC concerns. These plans have been submitted to the FDIC for review. As a result of the discussions with the FDIC, all third party credit card relationships have been terminated. All third party installment loan relationships have also been terminated, and we are now offering our installment loan product independently of these prior relationships. FBD has implemented many of the recommendations made by the FDIC 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 which it believes it has done. 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 filing, all 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.

Dividend payments by FBD are subject to regulation by the Delaware Banking Commissioner and the Federal Deposit Insurance Act (the "FDIA"). Generally, no dividends may be paid except from "accumulated net earnings" (generally, retained earnings). Under the FDIA, an insured bank may pay no dividends if the bank is in arrears in the payment of any insurance assessment due to the FDIC. Under Delaware law, FBD would be limited to $27.2 million of dividends plus an additional amount equal to its net profit for 2010, up to the date of any such dividend declaration. However, dividends would be further limited in order to maintain capital ratios, requirements for which may vary. FBD has not paid dividends, since its inception.

State and Federal regulatory authorities have adopted standards for the maintenance of adequate levels of capital by banks. Federal banking agencies impose three minimum capital requirements on FBD's risk-based capital ratios based on total capital, Tier 1 capital, and a leverage capital ratio. The risk-based capital ratios measure the adequacy of a bank's capital against the riskiness of its assets and off-balance sheet activities.

Failure to maintain adequate capital is a basis for "prompt corrective action" or other regulatory enforcement action. In assessing a bank's capital adequacy, regulators also consider other factors such as interest rate risk exposure; liquidity, funding and market risks; quality and level or earnings; concentrations of credit; quality of loans and investments; risks of any nontraditional activities; effectiveness of bank policies; and management's overall ability to monitor and control risks.

Management believes that FBD meets, as of December 31, 2009, all capital adequacy requirements to which it is subject. As of December 31, 2009, the FDIC categorized FBD as well capitalized under the regulatory framework for prompt corrective action provisions of the Federal Deposit Insurance Act. There are no calculations or events since that notification that management believes have changed FBD's category.

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

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To be well capitalized under regulatory capital guidelines	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
At December 31, 2009						
Total risk based capital	$42,377	45.50%	$7,451	8.00%	$9,314	10.00%
Tier 1 risk based capital	41,184	44.22	3,725	4.00	5,588	6.00
Tier 1 leverage capital	41,184	31.97	5,153	4.00	6,441	5.00
At December 31, 2008						
Total risk based capital	$40,358	45.07%	$7,164	8.00%	$8,955	10.00%
Tier 1 risk based capital	39,216	43.79	3,582	4.00	5,373	6.00
Tier 1 leverage capital	39,216	32.21	4,870	4.00	6,088	5.00

12. Fair Value of Financial Instruments:

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

In September 2006, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Codification 820.10, *Fair Value Measurements* ("ASC 820.10"), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. ASC 820.10 applies to other accounting pronouncements that require or permit fair value measurements. The Company adopted ASC 820.10 effective for its fiscal year beginning January 1, 2008.

ASC 820.10 establishes a fair value hierarchy that prioritizes the inputs to valuation methods 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 as follows:

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

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

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

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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

Description	December 31, 2009	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
		(In Thousands)		
Investment securities available for sale	$ 7,604	$ -	$ 7,604	$ -

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

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

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

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

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

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

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's assets and liabilities at December 31, 2009 and 2008:

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) are determined by obtaining 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

The types of instruments valued based on quoted matrix prices in active markets include all of the Company's mortgage backed securities. Such instruments are generally classified within level 2 of the fair value hierarchy. As required by ASC 820.10, the Bank does not adjust the quoted matrix price for such instruments.

Loans Receivable (Carried at Cost):

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

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

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

Restricted Stock (Carried at Cost):

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

Accrued Interest Receivable and Payable (Carried at Cost):

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

Bank Owned Life Insurance:

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

Deposit Liabilities (Carried at Cost):

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

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

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

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

	December 31, 2009		December 31, 2008	
(Dollars in Thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Balance Sheet Data:				
Financial Assets:				
Cash and cash equivalents	$ 36,739	$ 36,739	$ 9,553	$ 9,553
Investment securities available for sale	7,604	7,604	22,631	22,631
Restricted stock	475	475	139	139
Loans receivable, net	82,564	83,938	71,307	71,147
Bank owned life insurance	1,855	1,855	1,817	1,817
Accrued interest receivable	315	315	248	248
Financial Liabilities:				
Deposits:				
Demand, savings and money market	$ 62,693	$ 62,693	$ 59,855	$59,855
Time	32,021	32,172	12,435	12,577
Accrued interest payable	191	191	175	175
Off Balance Sheet Financial Instruments:				
Commitments to extend credit	$ -	$ -	$ -	$ -
Letters of credit	-	-	-	-

13. Benefit Plans:

Defined Contribution Plan:

FBD sponsors a defined contribution plan pursuant to the provision of 401(k) of the Internal Revenue Code. The Plan covers all full-time employees who meet age and service requirements. The plan provides for elective employee contributions with a matching FBD contribution of up to 4% of salary. The total expense charged to FBD, and included in salaries and employee benefits was $156,000 in 2009 and $137,000 in 2008.

Directors' and Officers' Plans:

FBD maintains a deferred compensation plan for certain officers, wherein a percentage of base salary is contributed to the plan, and utilized to buy stock of FBD in the open market. To promote officer retention, a three year vesting period applies for each year's contributions. Expense for 2009 and 2008 was $294,000 and $648,000, respectively. The total related liability as of December 31, 2009 and 2008 was $389,000 and $887,000 respectively. The expense for 2008 reflects accelerated vesting for several participants of the plan.

14. Stock Based Compensation:

FBD maintains a Stock Option Plan (the "Plan") under which the Company grants options to its employees and directors. Under the terms of the Plan, 1.5 million shares of common stock were reserved for such options. The Plan provides that the exercise price of each option granted equals the market price of the Bank's stock on the date of grant. Any option granted vests within one to five years and has a maximum term of ten years.

A summary of the status of the Bank's stock options under the Stock Option Plan as of December 31, 2009 and changes during the year ended December 31, 2009 and 2008 are presented below:

	For the Years Ended December 31,			
	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	905,251	$2.54	1,029,988	$2.61
Granted	133,000	$1.31	159,000	$2.06
Exercised	(17,600)	$0.78	(24,200)	$1.38
Forfeited	(63,229)	$2.55	(259,537)	$2.65
Outstanding, end of period	957,422	$2.40	905,251	$2.54
Options exercisable at period-end	553,422	$2.61	609,251	$2.54
Weighted average fair value of options granted during the period		$0.65		$0.77

	For the Years Ended December 31,	
	2009	2008
Number of options exercised	17,600	24,200
Cash received	$13,728	$33,495
Intrinsic value	$ 7,216	$20,928
Tax benefit	$ 2,453	$ 7,115

	For the Years Ended December 31,			
	2009		2008	
	Shares	Weighted average grant date fair value	Shares	Weighted average grant date fair value
Nonvested at the beginning of the year	296,000	$0.98	167,000	$1.21
Granted	133,000	$0.65	159,000	$0.77
Vested	-	-	-	-
Forfeited	25,000	$1.20	30,000	$1.21
Nonvested at the end of year	404,000	$0.86	296,000	$0.98

The fair value of each option granted in 2009 is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for those grants: dividend yield of 0%; expected volatility of 45.52%; risk-free interest rate of 1.99% to 3.39% and an expected life of 7 years. The fair value of each option granted in 2008 is similarly estimated with the following weighted average assumption: dividend yield of 0%, expected volatility of 30.27%, risk-free interest rate of 3.0% and an expected life of 7 years. A dividend yield of 0% is utilized, because cash dividends have never been paid. The expected life reflects a 3 year "all or nothing" vesting period, the maximum ten year term and review of historical behavior. The volatility was based on Bloomberg's 7 year volatility calculation for "FBOD" common stock. The risk-free interest rate is based on the 7 year Treasury bond.

The following table summarizes information about options outstanding under the Stock Option Plan at December 31, 2009 and 2008.

	Options outstanding			Options exercisable	
Range of Exercise Prices	Number outstanding at December 31, 2009	Weighted Average remaining contractual life (years)	Weighted Average exercise price	Shares	Weighted Average Exercise Price
$0.78 to $1.00	-	-	$	-	$ -
$1.01 to $1.50	136,850	9.04	1.31	3,850	1.20
$1.51 to $1.99	102,200	8.70	1.65	2,200	1.63
$2.00 to $2.69	216,472	4.79	2.50	216,472	2.50
$2.70 to $3.10	501,900	5.96	2.80	330,900	2.71
	957,422		$ 2.40	553,422	$ 2.61

	Options outstanding			Options exercisable	
Range of Exercise Prices	Number outstanding at December 31, 2008	Weighted Average remaining contractual life (years)	Weighted Average exercise price	Shares	Weighted Average Exercise Price
$0.78 to $1.00	17,600	1.99	$ 0.78	17,600	$ 0.78
$1.01 to $1.50	7,150	3.14	1.20	7,150	1.20
$1.51 to $1.99	108,200	9.19	1.65	8,200	1.69
$2.00 to $2.69	243,201	5.55	2.50	243,201	2.50
$2.70 to $3.10	529,100	6.99	2.81	333,100	2.71
	905,251		$ 2.54	609,251	$ 2.54

During the years ended December 31, 2009 and December 31, 2008, $72,000 and $54,000 was recognized respectively in compensation expense for the Stock Option Plan, with no tax benefit recognized. No shares vested in 2009, but expense is recognized ratably over the period required to vest. There were 296,000 unvested options at the beginning of 2009, and 404,000 unvested at December 31, 2009, with a fair value of $346,000, and $192,000 of that amount remained to be recognized as expense. At that date, the intrinsic value (the excess of the market price over the exercise price) of the

957,422 options outstanding was $0, while the intrinsic value of the 553,422 exercisable (vested) was $0. During 2009, 25,000 options were forfeited, with a weighted average grant fair value of $30,000.

15. Segment Reporting:

Our reportable segments represent strategic businesses that offer different products and services. The segments are managed separately because each segment has unique operating characteristics, management requirements and marketing strategies. We have three reportable segments: community banking; consumer loans; and card products. As a result of market conditions, the Bank made a strategic decision to discontinue its mezzanine finance business effective July 1, 2008. In the following table for 2008, the mezzanine segment has been reclassified to the community banking segment. The community banking segment is primarily comprised of the results of operations and financial condition of commercial loan, electronic payments products and deposit operations. We additionally offer consumer products to the underbanked consumer including consumer installment loans, prepaid cards, credit lines and credit cards. Consumer loans are loans with principal amounts of $2,500 or less and terms of 120 days to 24 months. These loans typically are made in states that are outside of Delaware via the internet through a small number of marketers with rates and fees significantly different from other loan products offered. We perform underwriting, customer service and collection functions ourselves, or through directly contracted third parties. We also offer card products, which consist of prepaid and credit cards, on a national basis through a small number of marketers. The majority of these installment loans and credit card receivables are sold or participated. As a result of discussions with the FDIC, third party relationships involved in generating these loans and credit cards have been terminated, which materially has reduced and continues to reduce revenues. FBD plans to directly offer various credit card products in 2010 including secured cards, prime credit cards and private label credit cards. FBD also offers credit lines on various prepaid and deposit accounts

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

Segment information for the years ended December 31, 2009 and 2008 is as follows:

	First Bank of Delaware	Card Products	Consumer Loans	Total
Net interest income	$ 3,839	$ 26	$ 5,538	$ 9,403
Provision for loan losses	1,550	549	2,275	4,374
Non-interest income	823	6,731	2,169	9,723
Non-interest expenses	3,862	4,259	4,340	12,461
Provision(benefit) for income tax	(475)	861	407	793
Net income(loss)	$ (275)	$ 1,088	$ 685	$ 1,498
Selected Balance Sheet Amounts:				
Total assets	$ 126,437	$ 3,938	$ 9,985	$140,360
Total loans, net	79,434	-	3,130	82,564
Total deposits	84,469	3,573	6,672	94,714

	First Bank of Delaware	Card Products	Consumer Loans	Total
Net interest income	$ 4,294	$ 276	$ 5,789	$ 10,359
Provision for loan losses	525	1,909	1,751	4,185
Non-interest income	1264	11,128	5,138	17,530
Non-interest expenses	3,561	7,993	4,479	16,033
Provision for income tax	505	503	1,608	2,616
Net income	$ 967	$ 999	$ 3,089	$ 5,055
Selected Balance Sheet Amounts:				
Total assets	$ 83,323	$ 29,349	$ 3,530	$116,202
Total loans, net	67,849	768	2,690	71,307
Total deposits	47,528	24,509	253	72,290

16. Borrowings:

The Bank has a line of credit of $4.0 million with a correspondent bank. That line was not used in 2009 or 2008, nor were there any other borrowings during those periods. The Bank also has a standby letter of credit, issued by a correspondent bank, in the amount of $170,000 which was required by a lessor. The Bank also has a line of credit with the Federal Home Loan Bank which has not been used. The maximum borrowing capacity for that line at December 31, 2009 was $32.9 million. Overnight borrowings, the only borrowings the Bank has utilized, are generally 25-35 basis points higher than overnight Federal Funds sold rates.

Exhibit 21.1

SUBSIDIARIES OF FIRST BANK OF DELAWARE

First Bank of Delaware has two subsidiaries,
BSC Services Corp., a Delaware corporation
FBD Capital Corp., a Delaware corporation, dba/First Capital Exchange (inactive)

Exhibit 31.1

CERTIFICATION

I, Alonzo J. Primus, certify that:

1. I have reviewed this annual report on Form 10-K of First Bank of Delaware ("FBD");

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 29, 2010

/s/ Alonzo J. Primus
President, Chief Executive Officer and Acting Chief Financial Officer (principal executive officer and principal financial officer)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed with the Federal Deposit Insurance Corporation by First Bank of Delaware ("FBD") on the date hereof (the "Report"), I, Alonzo J. Primus, President, Chief Executive Officer and Acting Chief Financial Officer of FBD, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FBD.

Date: March 29, 2010

By: /s/ Alonzo J. Primus
Alonzo J. Primus
President and Chief Executive Officer Acting Chief Financial Officer (principal executive officer and principal financial officer)