

2009

ANNUAL REPORT



FIRST DEFIANCE
FINANCIAL CORP.

COMPANY PROFILE

Safe Harbor Statement

Statements contained in this Annual Report may not be based on historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21B of the Securities Act of 1934, as amended. Actual results could vary materially depending on risks and uncertainties inherent in general and local banking and insurance conditions, competitive factors specific to markets in which the Company and its subsidiaries operate, future interest rate levels, legislative and regulatory decisions or capital market conditions. The Company assumes no responsibility to update this information. For more details, please refer to the Company’s SEC filings, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q.

First Defiance Financial Corp., headquartered in Defiance, Ohio, is the holding company for First Federal Bank of the Midwest and First Insurance & Investments. First Federal Bank operates 33 full service branches and 45 ATMs in 14 counties in northwest Ohio, southeast Michigan and in Fort Wayne, Indiana. First Insurance & Investments is a full-service insurance agency with offices in Defiance and Bowling Green, Ohio.

Founded in 1920 as Northwest Savings, First Federal was chartered in 1935 as a federal mutual savings and loan company. First Federal converted to a Mutual Holding Company and issued its first stock to the public and employees in 1993. In September 1995, First Federal converted to a full stock company, trading stock on the NASDAQ national market under the ticker symbol FDEF. At the same time, First Defiance Financial Corp. was founded as the holding company for First Federal. The bank’s name was changed to First Federal Bank of the Midwest in 1999, to reflect our desire to provide more comprehensive financial products and services.

Since 2003, First Defiance has acquired three banking offices, opened four de novo offices, acquired an insurance agency and completed acquisitions of ComBanc, Inc, based in Delphos, Ohio; Genoa Savings and Loan, based near Toledo in Genoa, Ohio; and Pavilion Bancorp, based in Adrian, Michigan.



**FIRST DEFIANCE
FINANCIAL CORP.**

2009 FINANCIAL HIGHLIGHTS

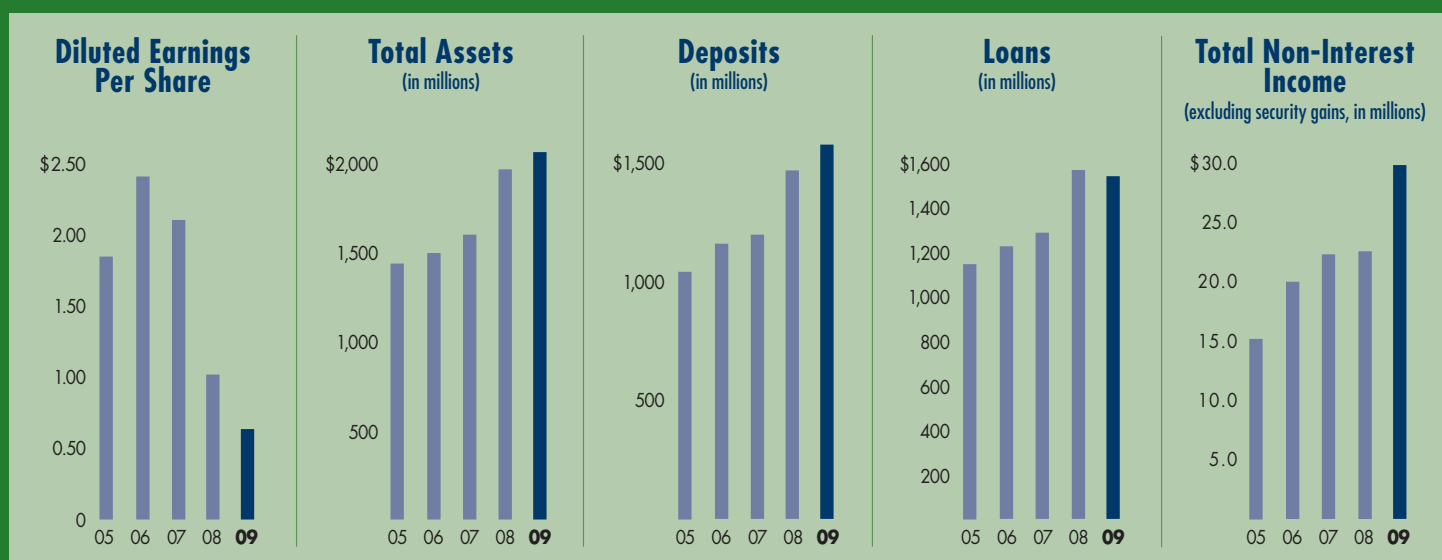
(In Thousands, Except Per Share Amounts)

Summary of Operating Results	2009	2008	% Change
Net interest income	\$ 67,322	\$ 62,195	8.2%
Provision for loan losses	23,232	12,585	84.6%
Non-interest income (excluding securities gains/losses)	29,951	22,229	34.7%
Securities gains (losses)	(3,656)	(3,160)	15.7%
Non-interest expense (excluding non-recurring items)	60,524	57,794	4.7%
Net income	7,194	7,357	(2.2%)
Dividends accrued on preferred shares	(1,850)	(134)	1280.6%
Accretion on preferred shares	(160)	(11)	1354.5%
Net income applicable to common shares	5,184	7,212	(28.1%)

Balance Sheet Data	2009	2008	% Change
Total Assets	\$ 2,057,523	\$ 1,957,400	5.1%
Loans, net	1,580,575	1,592,643	(0.8%)
Deposits	1,580,226	1,469,912	7.5%
Stockholders' equity	234,086	229,159	2.2%
Allowance for loan losses	36,547	24,592	48.6%

Share Information:	2009	2008	% Change
Basic earnings per common share	\$ 0.64	\$ 0.91	(29.7%)
Basic core earnings per common share	0.64	1.01	(36.6%)
Diluted earnings per common share	0.63	0.91	(30.8%)
Diluted core earnings per common share	0.63	1.00	(37.0%)
Dividends per common share	0.295	0.95	(68.9%)
Tangible book value per common share	16.44	15.67	4.9%
Shares outstanding at end of period	8,118	8,117	0.0%

Key Ratios:	2009	2008	% Change
Average net interest margin	3.76%	3.80%	(1.1%)
Return on average assets – core earnings	0.36%	0.44%	(18.2%)
Return on average equity – core earnings	3.09%	4.23%	(27.0%)
Efficiency ratio – core basis	61.50%	66.43%	(7.4%)



TO OUR SHAREHOLDERS



William J. Small
Chairman, President & CEO

IN September of 2008, I told a banking friend of mine that 2009 would go down in history as a year of survival for banks. The economic factors were aligning in an ominous way, even at that early point in time. It was evident we were going to have a rough ride. Sure enough, as 2008 closed out, it did not take with it the spiraling mess of the financial markets or the catastrophic housing market, and there were no signs of job creation on the horizon to ease the unemployment woes. The first three months of 2009 were probably the darkest and most economically challenging period any of us has ever experienced. However by midyear, even though the downturned economy still had a stranglehold on most of the country, we began to see some improvement in the future economic indicators. By year end, there appeared to be a light at the end of the tunnel. More indicators pointed to an improving economy, and we were encouraged by the stock market's recovery from the low point in March 2009.

The year proved especially tumultuous for the financial services industry. The FDIC levied costly special assessments on all banks; consumers and business owners defaulted on loans in record numbers; regulators closed over 140 banks during the year and they also clamped down on lending while politicians were chastising banks for the lack of credit availability to consumers and businesses.

First Defiance faced most of the same challenges that confronted the industry throughout 2009. At First Federal Bank, credit quality was the most significant of the challenges. The persistent weakness in the economy, along with the high unemployment throughout our region, heavily impacted our historically excellent asset quality. Other Than Temporary Impairment on certain investment assets also had a negative effect. And in mid-year, the aforementioned FDIC special assessment totaled nearly \$1 million in pre-tax expense at First Federal. But the largest drain on earnings at the Bank throughout the year was the provision expense that was incurred to protect against possible future loan losses. After considering all of these factors, and faced

with an uncertain regulatory climate, our Board felt it was prudent to build capital even beyond our traditionally high levels. Part of this capital plan was to first reduce dividends to holders of common stock and then temporarily suspend dividend payments in the fourth quarter of 2009.

There are bright spots. Through all of these challenges the Bank continued to grow on a controlled basis. New business relationships were added throughout the year, resulting in significant deposit growth. Mortgage loan production hit record highs in the first half of 2009 as interest rates dropped to historical lows. While the mortgage production tempered somewhat in the second half of the year, it remained ahead of the levels of the prior two years. The deposit side of the balance sheet displayed dramatic positive change in the mix as our strategy of growing lower cost demand deposits and reducing our reliance on certificates of deposit was well executed. This change in mix, along with disciplined pricing on both sides of the balance sheet, resulted in improvement in the net interest margin and growth in net interest income. Our insurance subsidiary, First Insurance & Investments, also worked to maintain existing relationships while growing new business, though insurance premiums remained soft and challenged profitability. Assets under management in our Wealth Management Department grew throughout the year as additional trust and investment clients came on board. Cross-selling between the Bank and the insurance agency improved, creating new opportunities for both entities. Our strategy of offering a complete package of financial services and products throughout our markets has been well received and we enjoyed market share growth throughout our footprint in 2009.

The end result is that we weathered the stormy environment of 2009 and remained profitable, something many banks were unable to accomplish. The core fundamentals were strong throughout the year, and we did not abandon our proven community bank strategy. This keeps us well-positioned to move forward as the economy recovers. How quickly the recovery will take place is still an unknown; indications are that it will be a relatively slow climb back to the top. The potential exists for additional FDIC assessments over and above the increased premiums already in place for deposit insurance. Talk out of Washington points toward the possibility of additional taxes against the financial services industry as the government looks for ways to address the burgeoning deficit. They are difficult to plan for, but we must be prepared to deal with these scenarios as well as any new opportunities when they arise.

We appreciate your investment in First Defiance Financial Corp. Rest assured, we will steadfastly strive to navigate First Defiance through any future rough seas and produce the results you expect and deserve. We have a dedicated staff of qualified individuals throughout our organization who are focused on creating the best possible return for all of our stakeholders under any and all economic circumstances. I am proud of our ability to stay on course in this unprecedented environment, and I look forward to the success stories of 2010.

Sincerely,



William J. Small
Chairman, President & CEO

FIRST DEFIANCE FINANCIAL CORP. BOARD OF DIRECTORS

William J. Small
Chairman, President &
Chief Executive Officer
First Defiance Financial Corp.
1, 7, 8 & 9

Stephen L. Boomer
Vice Chairman & Lead Director
First Defiance Financial Corp.
President, Arps Dairy
Defiance, Ohio
1, 2, 3, 4, 6, 8 & 9

John L. Bookmyer
Chief Executive Officer
Pain Management Group
Findlay, Ohio
2 & 3

Douglas A. Burgei, D.V.M.
Veterinarian
Napoleon, Ohio
4, 5, 6 & 7

Peter A. Diehl
Retired Business Owner
Defiance, Ohio
2, 3, 5 & 6

Jean A. Hubbard
Business Manager &
Corporate Treasurer
The Hubbard Company
Defiance, Ohio
4, 5 & 6

Dwain I. Metzger
Farmer
Elida, Ohio
4 & 5

Barbara A. Mitzel
Area Manager
Consumers Energy
Adrian, Michigan
5 & 7

James L. Rohrs
President & Chief Executive Officer
First Federal Bank
Executive Vice President
First Defiance Financial Corp.
1, 7 & 9

Samuel S. Strausbaugh
Co-President
Defiance Metal Products
Defiance, Ohio
2, 3, 6, 7 & 9

Thomas A. Voigt
Vice President &
General Manager
Bryan Publishing Company
Bryan, Ohio
3, 4, 5 & 6

Key For Board of Directors:

1. Executive Committee Appointment
2. Audit Committee
3. Compensation Committee
4. Corporate Governance Committee
5. Strategic Planning
6. Succession Planning
7. Investment Committee
8. Trust Committee
9. First Insurance & Investments Board

FIRST INSURANCE & INVESTMENTS, INC.

Donald P. Hileman
Chief Executive Officer
Steven P. Grosenbacher
Executive Vice President
Kenneth G. Keller
Executive Vice President
Group Health & Life

Timothy S. Whetstone
Executive Vice President
Secretary

Lawrence H. Woods
Executive Vice President
Property & Casualty

FIRST DEFIANCE FINANCIAL CORP. CORPORATE OFFICERS

William J. Small
Chairman, President &
Chief Executive Officer

Donald P. Hileman
Executive Vice President,
Chief Financial Officer

James L. Rohrs
Executive Vice President

John W. Boesling
Senior Vice President &
Corporate Secretary

Richard J. Mitsdarfer
Senior Vice President,
Risk Management

FIRST FEDERAL BANK OF THE MIDWEST

William J. Small
Chairman

James L. Rohrs
President,
Chief Executive Officer

Gregory R. Allen
Executive Vice President,
Southern Market Area
President

Timothy K. Harris
Executive Vice President,
Eastern Market Area
President

Jeffrey D. Vereecke
Executive Vice President,
Northern Market Area
President

Bradley D. Spitnale
Senior Vice President,
Western Market Area
President

Dennis E. Rose, Jr.
Executive Vice President,
Chief Operations Officer

Donald P. Hileman
Executive Vice President,
Chief Financial Officer

Brent L. Beard
Senior Vice President,
Controller

John H. Bick
Senior Vice President,
Asset Quality

John W. Boesling
Senior Vice President,
Secretary

Lisa R. Christy
Senior Vice President,
Certified Trust and
Financial Advisor

Patricia A. Cooper
Senior Vice President,
Bank Secrecy, Fraud and
Security

David J. Kondas
Senior Vice President,
Wealth Management

Kathleen A. Miller
Senior Vice President,
Information Technology

Richard J. Mitsdarfer
Senior Vice President,
Risk Management

Linda R. Moening
Senior Vice President,
Deposit Operations

Eric A. Morman
Senior Vice President,
Commercial Lending

James R. Williams
Senior Vice President,
Commercial Lending

Michael D. Mulford
Senior Vice President,
Credit Administration

Patrick S. Rothgery
Senior Vice President,
Residential Lending

Mary Beth K. Weisenburger
Senior Vice President,
Marketing

Marybeth Shunck
Senior Vice President,
Retail Administration

Randall L. Rice
Senior Vice President,
Commercial Lending

COMMUNITY ADVISORY BOARDS

DEFIANCE, OH

Rick Weaver
Poggemeyer Design
Mike Koester
Koester Corporation
Brad Mangas
BE Mangas Construction
Bryan Keller
Keller Logistics Group, Inc.

DELPHOS, OH

Eric Fritz
Delphos Ace Hardware,
Delphos Rental Corporation,
Bobcat of Lima
Richard Thompson
Thompson Seed Farm
Perry Wiltsie
Vanamatic Company

FINDLAY, OH

James Koehler
Country Club Acres, Inc.
Paul Kramer
Kramer Enterprises, Inc.

M. Michael Roberts
dmh Toyota-Lift
Michael Mallet
Corporate Research
International
Duane Jebbett
Rowmark

FORT WAYNE, IN

Tim Haffner
Baker & Daniels
Diana Parent
Sperry Van Ness/Parke Group
Jim Calkins
Coventry Court

FOSTORIA, OH

Frank Kinn
Business/Financial Consultant
Lynn Radabaugh
Maple Grove Quarry, Inc.
Tom Reineke
Reineke Ford
Dave Whitta
Whitta Construction, Inc.

HICKSVILLE, OH

Larry Haver
Mayor of Hicksville
Michael Headley
H&W Automotive Parts, Inc.
& Headley Enterprises

LENAAWEE COUNTY, MI

J. David Stutzman
Raymond & Stutzman Farms, LLC
Dan Hupp
Dan's Farm Supply
Emory Schmidt
Retired
Ed Engle
Rima Manufacturing

LIMA, OH

Tim DeHaven
DeHaven's Lawn & Garden
Center
Robert J. Schulte, Jr.
HR Services
Greg Wannemacher
Wannemacher Enterprises
Jerry Johnson
Attorney

Don Fischer
Coppie Sportswear
Jerry Lewis
Speedy Arches

NAPOLEON, OH

Greg Beck
Beck Construction
Kay Wesche
Henry County Development
Services
Susan Witt
Gerken Paving
Char Zgela
Mel Lanzer Co.

OTTAWA, OH

Kevin Ellerbrock
Ellerbrock Construction
Kenneth Konst
Farmer
Mike Ruhe
Pathways Counseling Center
Dr. Dean Walther
Optometrist

PAULDING, OH

Joseph Burkard
Cook, Troth, Burkard & Gorrell
William Shugars
Retired
Michael Keysor
Custom Assembly
WILLIAMS COUNTY, OH
LeRoy Feather
Retired
Renee Isaac
Retired
Martin Sostoi
Attorney

James (Chip) Wood
Bryan Ford Lincoln Mercury
Chad Tinkel
Community Hospitals
and Wellness Center
Walter Bumb
Retired
Stacey Bock
Midwest Community
Health Associates

SHAREHOLDER INFORMATION

ANNUAL MEETING

The Annual Meeting of Shareholders of First Defiance Financial Corp. will be held on Tuesday, April 20, 2010 at 2:00 p.m. in the conference room at the First Federal Bank Operations Center at 25600 Elliott Road, Defiance, Ohio 43512.

INVESTOR INFORMATION

Shareholders, investors and analysts interested in additional information about First Defiance Financial Corp. may contact Investor Relations at the corporate office, 419-782-5104.

STOCK TRANSFER AGENT

Shareholders with questions concerning the transfer of shares, lost certificates, dividend payments, dividend reinvestment, receipt of multiple dividend checks, duplicate mailings or changes of address should contact:

Registrar and Transfer Company

First Defiance Financial Corp. Transfer Agent
10 Commerce Drive, Cranford, NJ 07016-3573
Telephone: 800-368-5948
Internet: www.rtco.com

SECURITIES LISTING

First Defiance Financial Corp. common stock trades on the NASDAQ Global Select Market under the symbol FDEF.

As of March 5, 2010, there were approximately 2,359 stockholders of record and 8,117,520 shares outstanding.

PRICE RANGE

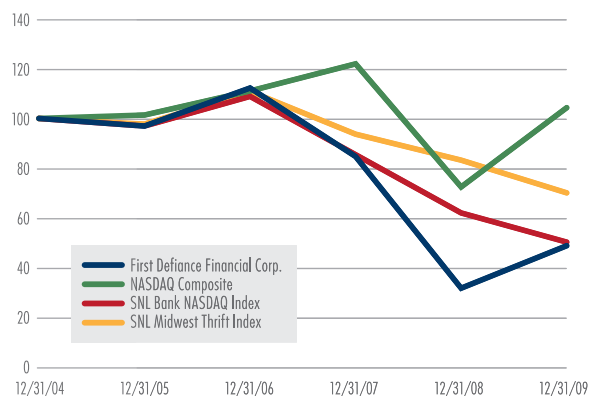
Year Ended December 31, 2009

	High	Low
First Quarter	\$ 8.95	\$ 3.76
Second Quarter	\$14.25	\$ 6.10
Third Quarter	\$18.33	\$12.00
Fourth Quarter	\$18.93	\$10.06

Year Ended December 31, 2008

	High	Low
First Quarter	\$22.51	\$17.30
Second Quarter	\$20.00	\$15.90
Third Quarter	\$17.66	\$10.00
Fourth Quarter	\$14.50	\$6.00

TOTAL RETURN PERFORMANCE



DIVIDENDS POLICY

Cash dividends on the common stock are declared quarterly and have been paid since First Defiance and its predecessor, First Federal Savings and Loan, went public in 1993. Dividends declared in 2009 totalled \$0.295 per share.

DIVIDEND REINVESTMENT PLAN

Shareholders may automatically reinvest dividends in additional First Defiance Financial Corp. common stock through the Dividend Reinvestment Plan, which also provides for purchase by voluntary cash contributions. For additional information, please contact the Registrar and Transfer Company at 800-368-5948.

AUDITORS

Crowe Horwath LLP
330 East Jefferson Boulevard
South Bend, Indiana 46624

GENERAL COUNSEL

Vorys, Sater, Seymour & Pease LLP
221 East Fourth Street
Suite 2100 Atrium Two
Cincinnati, Ohio 45202



**FIRST DEFIANCE
FINANCIAL CORP.**

First Defiance Financial Corp.
601 Clinton Street
Defiance, OH 43512
www.fdef.com
419-782-5104



**FIRST FEDERAL
BANK**

First Federal Bank of the Midwest
601 Clinton Street
Defiance, OH 43512
www.first-fed.com
419-782-5015



First Insurance & Investments
419 Fifth Street, Suite 1200
Defiance, OH 43512
www.firstii.com
419-784-5431