

Annual Report
2010



FIRST DEFIANCE
FINANCIAL CORP.



**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 northwest Ohio, southeast Michigan and in Fort Wayne, Indiana. First Insurance & Investments is a full-service insurance agency with offices in Defiance, Archbold, Bowling Green and Bryan, Ohio.

Founded in the 1920s 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 better reflect our community bank business strategy.

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

2010

Financial Highlights

(in thousands, except per share amounts)

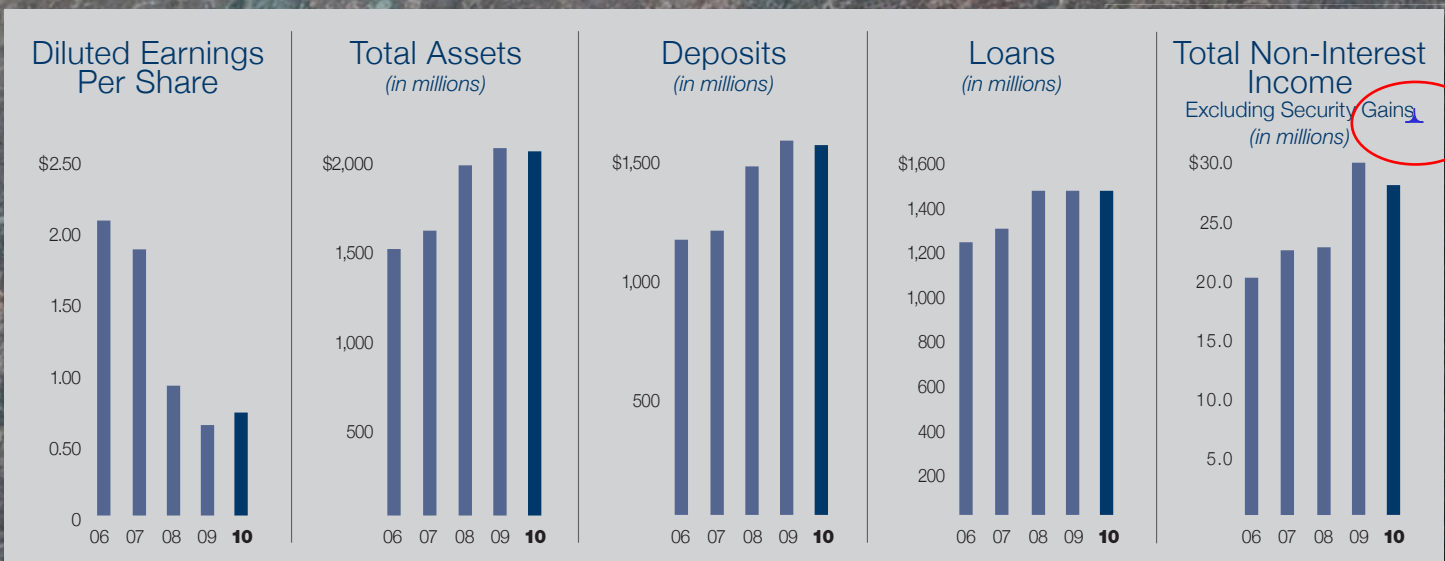
Summary of Operating Results	2010	2009	% Change
Net interest income	\$ 70,163	\$ 67,322	4.2%
Provision for loan losses	23,177	23,232	(0.2%)
Non-interest income (excluding securities gains/losses)	27,929	29,951	(6.8%)
Securities gains (losses)	(339)	(3,656)	90.7%
Non-interest expense (excluding non-recurring items)	63,463	60,524	4.9%
Net income	8,108	7,194	12.7%
Dividends accrued on preferred shares	(1,850)	(1,850)	—
Accretion on preferred shares	(170)	(160)	6.3%
Net income applicable to common shares	6,088	5,184	17.4%

Balance Sheet Data	2010	2009	% Change
Total Assets	\$ 2,035,517	\$ 2,057,523	(1.1%)
Loans, net	1,478,423	1,580,575	(6.5%)
Deposits	1,575,419	1,580,226	(0.3%)
Stockholders' equity	240,331	234,086	2.7%
Allowance for loan losses	41,080	36,547	12.4%

Share Information:	2010	2009	% Change
Basic earnings per common share	\$ 0.75	\$ 0.64	17.2%
Basic core earnings per common share	0.75	0.64	17.2%
Diluted earnings per common share	0.75	0.63	19.0%
Diluted core earnings per common share	0.75	0.63	19.0%
Dividends per common share	—	0.295	NM
Tangible book value per common share	17.16	16.44	4.4%
Shares outstanding at end of period	8,118	8,118	—

Key Ratios:	2010	2009	% Change
Average net interest margin	3.89%	3.76%	3.5%
Return on average assets	0.39%	0.36%	8.3%
Return on average equity	3.40%	3.09%	10.0%
Efficiency ratio	63.89%	61.50%	(3.9%)

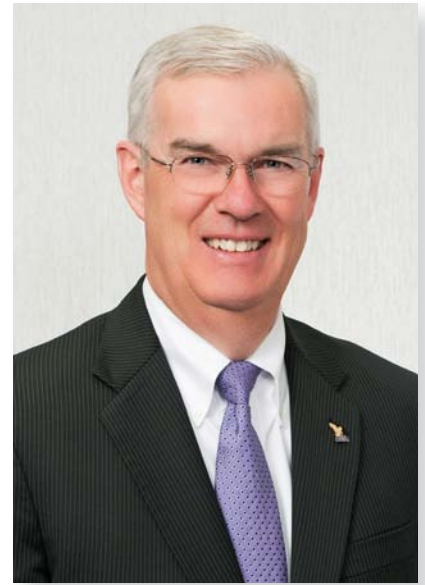
NM — % not meaningful





To Our Shareholders

From an economic environment perspective, the journey through 2010 can be compared to a ride on a roller coaster. It was certainly a year filled with ups and downs and twists and turns. The year began with a sense of renewed optimism and enthusiasm that buoyed confidence and made many think we were going to finally shake all remnants of The Great Recession. Through the first five months of the year the positive energy was sustained, but was soon derailed as summer approached and several stimulus programs expired or stalled, and the housing market failed to exhibit any rally. The stock market gave up its better-than-five-percent gain attained through mid-May and continued to lose ground throughout the summer. Unemployment rates barely budged, and capital investments by businesses were at a standstill. At the same time, Washington was involved in several contentious legislative debates, including financial regulatory reform, which led to the passage of the Dodd-Frank Wall Street and Consumer Protection Act. The negative political rhetoric that bombarded us during the pre-election time frame did little to inspire consumer confidence, and any early optimism had totally vanished by August. Some hopefulness returned as we entered the final quarter of the year, and consumer confidence began to inch upward after the elections. The uptick continued through the end of 2010 following the two-year extension of the tax cuts to all taxpayers, but a cloud will continue to hang over the economy until the housing and job markets regain strength.



William J. Small
Chairman, President & CEO

The Dodd-Frank Act is the most comprehensive financial reform legislation to ever come out of Washington, and will have an effect on First Defiance. The bill was passed and signed into law in July, and it will take some time for all of the regulations prescribed in the bill to be written. However, we do know that because of this bill, First Defiance Financial Corp. will be operating under a different set of regulators in 2011. The Office of Thrift Supervision, our current regulator, is being phased out and

merged into the Office of the Comptroller of the Currency (OCC). The OCC will become the regulator of First Federal Bank, and the Federal Reserve will regulate First Defiance Financial Corp. The Dodd-Frank Act also created the new Consumer Financial Protection Bureau that will oversee all regulation pertaining to consumer financial products and services. One critical area we will be closely monitoring as the regulations are implemented is the bill's overall effect on non-interest income. There is potential for this act to restrict service fees on certain products, which will negatively impact non-interest income for banks.

Despite the challenges we faced as the economy limped along, First Defiance accomplished key strategic goals in 2010. Earnings remained below traditional run rate levels, primarily due to credit-related expenses, but the core earnings structure was very solid. At First Federal Bank, significant deposit growth with an improved mix and disciplined pricing on the loan side produced a strong net interest margin throughout the year. Residential mortgage production was extremely robust, especially in the second half of the year, resulting in substantial gain on sale income to the bank. We focused on controlling the operating expenses that will provide long-lasting benefits to the company. We also completed a conversion of our bank-wide core processing system in November. The successful execution of this conversion was due to the diligence of our employees and their commitment to make this change as seamless as possible for our clients. The new system enhances our effectiveness and efficiency, and will help us create fresh and innovative products and services for our customers. Within our insurance unit First Insurance & Investments, we acquired a group life and health benefits book of business from the Andres, O'Neill, & Lowe

Agency in Bryan, Ohio. This acquisition was accretive from the start, and strengthens our insurance agency presence in several of our market areas.

Going forward, we will be adjusting to a new normal in financial services. The recent legislation, the change in regulators, the overall regulatory climate, and the tenuous economic scene all point to the need to develop new and different ways to conduct business. We know the economic and political twists and turns and ups and downs are now part of everyday life. We have been able to anticipate and react to them quite well throughout the year, thanks to our conservative operating history and prudent policies. We feel more prepared, experienced, confident and ready to deal with a slow economic recovery. We know the local competition from large and small financial service companies will be strong, but we will continue to differentiate our company with a full line of financial products offered at the highest level of customer service. We remain committed to all of our stakeholders – shareholders, employees, and clients – and appreciate their trust and commitment to us as we grow and succeed in this new era.

Thank you for your interest in First Defiance Financial Corp.

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
Executive Vice President
Pain Management Group
Findlay, Ohio
2, 3 & 7

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

Peter A. Diehl
Retired Business Owner
Defiance, Ohio
2, 4, 5 & 6

Jean A. Hubbard
Business Manager &
Corporate Treasurer
The Hubbard Company
Defiance, Ohio
2, 3 & 6

Dwain I. Metzger
Farmer
Elida, Ohio
4 & 5

Barbara A. Mitzel
Area Manager
Consumers Energy
Adrian, Michigan
4, 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 &
Chief Financial Officer
Defiance Metal Products
Defiance, Ohio
2, 3, 6 & 9

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

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 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

Dennis E. Rose, Jr.

Executive Vice President,
Chief Operations Officer

James R. Williams

Senior Vice President,
Western Market Area
President

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,
Trust 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

Michael D. Mulford
Senior Vice President,
Credit Administration

Randall L. Rice
Senior Vice President,
Senior Credit Officer

Marybeth Shunck
Senior Vice President,
Retail Administration

Mary Beth K. Weisenburger
Senior Vice President,
Marketing

Martha J. Woelke
Senior Vice President,
Residential Lending

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

Community Advisory Boards

Defiance, OH

Bryan Keller
Keller Logistics Group, Inc.

Mike Koester
Koester Corporation

Brad Mangas
BE Mangas Construction

Rick Weaver
Poggemeyer Design

Delphos, OH

Eric Fritz
Delphos Ace Hardware,
Delphos Rental Corporation,
Bobcat of Lima

Richard Thompson
Thompson Seed Farm

Perry Wiltsie
Vanamatic Company

Findlay, OH

Duane Jebbett
Rowmark

James Koehler
Country Club Acres, Inc.

Paul Kramer

Kramer Enterprises, Inc.

Michael Mallet
Corporate Research International

M. Michael Roberts
dmh Toyota-Lift

Fort Wayne, IN

Diane Parent
Sperry Van Ness-Parke Group

Fostoria, OH

Frank Kinn
Business/Financial Consultant

Lynn Radabaugh
Maple Grove Quarry, Inc.

Tom Reineke
Reineke Ford

Dave Whitta
Whitta Construction, Inc.

Donald S. Yaris
Fruth & Company

Hicksville, OH

Larry Haver
Mayor of Hicksville

Michael Headley

H&W Automotive Parts, Inc.
& Headley Enterprises

Sheryl Murphy
Century 21 Strait Realty, Inc.

Lenawee County, MI

Ed Engle
Rima Manufacturing

Dan Hupp
Dan's Farm Supply

Emory Schmidt
Retired

J. David Stutzman
Raymond & Stutzman
Farms, LLC

Lima, OH

Tim DeHaven
DeHaven's Lawn &
Garden Center

Don Fischer
Cappie Sportswear

Jerry Johnson
Attorney

Jerry Lewis

Speedy Arches

Robert J. Schulte, Jr.
HR Services

Greg Wannemacher
Wannemacher Enterprises

Napoleon, OH

Greg Beck
Beck Construction

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

Michael Keysor
Custom Assembly

William Shugars
Retired

Williams County, OH

Stacey Bock
Midwest Community
Health Associates

Walter Bumb
Retired

LeRoy Feather
Retired

Renee Isaac
Retired

Martin Sostoi
Attorney

Chad Tinkel
Community Hospitals and
Wellness Center

James (Chip) Wood
Bryan Ford Lincoln Mercury

Shareholders Information

Annual Meeting

The Annual Meeting of Shareholders of First Defiance Financial Corp. will be held on Tuesday, April 26, 2011 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 4, 2011, there were approximately 2,296 stockholders of record and 8,118,236 shares outstanding.

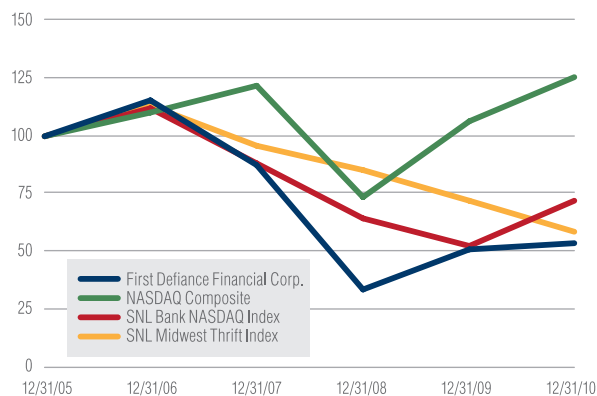
Year Ended December 31, 2010

	High	Low
First Quarter	\$ 12.33	\$ 9.20
Second Quarter	\$ 14.85	\$ 8.53
Third Quarter	\$ 10.63	\$ 8.55
Fourth Quarter	\$ 12.32	\$ 9.94

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

Total Return Performance



Dividends Policy

The First Defiance Financial Corp. Board reviews and determines on a quarterly basis whether to declare dividends. There were no dividends declared in 2010.

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 2000 Atrium Two
Cincinnati, Ohio 45202



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