



The compass in our logo signifies our commitment to guide our customers to their financial goals.



Leader Bank, N.A.

Leader Bank, N.A. (the "Bank") is a subsidiary of Leader Bancorp, Inc. (the "Company"), a bank holding company. Leader Bank's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Leader Bank opened for business on May 8, 2002 and has grown to a three branch operation in Arlington and Cambridge.



Our Business

Leader Bank, N.A. offers a complete suite of retail and commercial banking services including high yielding deposit accounts, free online banking and bill payment to individuals and businesses. Leader Bank also offers a range of residential and commercial lending services, including small business loans and home equity lines of credit. Through our internet site leaderbank.com, customers can logon to view their account balances, make transfers, download account statements and pay their bills.

A Step Ahead

In a competitive service industry such as banking, meeting customers' expectations is essential for profitability and growth. Every interaction with our customers is an opportunity to strengthen our relationship and increase our business. Every successful banking solution is another story of delivering on our promise to be *A Step Ahead*.

CHAIRMAN'S LETTER



Sushil K. Tuli
Chairman, President &
Chief Executive Officer

Dear Shareholders, Customers and Friends:

I am pleased to present our annual report for the year ending December 31, 2006. In August we formed Leader Bancorp, Inc, a one-bank holding company. At the same time, Leader Bank, N.A. became a wholly owned subsidiary of Leader Bancorp, Inc., and stockholders of Leader Bank, N.A. became stockholders of Leader Bancorp, Inc.

Leader Bank reached an important milestone in 2006 by exceeding \$200 million in assets, a 15% annual increase. The Bank grew total deposits among our three branch locations to \$173 million. We also took advantage of wholesale borrowing sources during the year to fund loan production. In the same period, we significantly enhanced our equity capital to \$16.5 million through the issuance of new shares and earnings. Leader Bank is a well-capitalized institution as defined by regulatory requirements.

Since opening our doors in 2002, we have consistently followed a business model that provides specialty residential and commercial real estate lending, offers competitive retail deposit products and delivers superior customer service. This model has resulted in the creation of a Bank which is financially solid and well-positioned for continued growth.

Recently, you may have read about the widespread news of mounting problems in the sub prime mortgage market. Reports from regulating authorities and trade associations comment on increased loan delinquencies, non-performing assets and rising foreclosure rates. Leader Bank is a prime lender and does not engage in sub prime mortgage financing. As of December 31, 2006 our asset quality remains strong with no seriously delinquent loans, non-performing assets or foreclosed properties on our books. Our lending efforts continue to be focused on placing traditional lending products with strong credit borrowers while utilizing conservative underwriting practices.

I would personally like to thank our customers, shareholders and friends for their continued support. We truly value our relationship with you and welcome your suggestions to better serve your needs. We are optimistic about Leader Bank's future and will strive to achieve exceptional performance with sustained growth.

Sincerely,

A handwritten signature in blue ink that reads "Sushil K. Tuli".

Sushil K. Tuli

FINANCIAL SNAPSHOT

PERFORMANCE STATISTICS

2006

2005

(IN THOUSANDS, EXCEPT ACCOUNTS)

Total Assets	\$209,901	\$183,093
Total Deposits	\$172,563	\$154,415
Total Equity	\$16,635	\$12,349
Total Loan Portfolio	\$161,138	\$133,802
Total Loans Closed	\$190,741	\$184,719
Deposit Accounts	5,967	4,406

EARNINGS

(IN THOUSANDS)

Net Interest Income	\$5,055	\$3,633
Gross Profit	\$1,806	\$821
Net Profit	\$1,060	\$483

RATIOS

Return on Assets	0.58%	0.32%
Return on Equity	8.00%	3.98%
Net Interest Margin	2.81%	2.43%

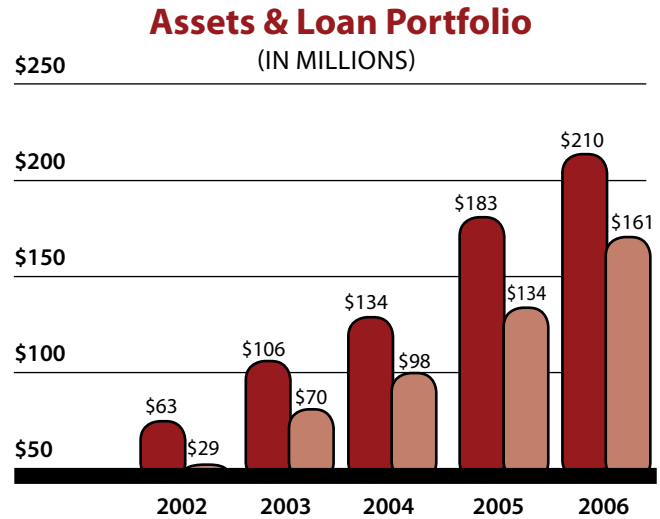
In addition to producing another year of record financial performance, we achieved several milestones in 2006:

- \$200 Million in Assets.** After 4 years of operations, Leader Bank surpassed \$200 million in total assets. The consistent growth in our assets is attributed to increased loan volume and new deposits.
- Holding Company and New Capital.** We formed Leader Bancorp, Inc. to serve as the holding company and parent of Leader Bank, N.A. The holding company will provide greater flexibility in raising new capital and starting new lines of businesses in the future. In October 2006 Leader Bancorp, Inc. raised \$3.2 million of equity capital from existing shareholders.
- Acquisition of Real Estate.** Last year we had the opportunity to purchase our first branch location at 141 Massachusetts Avenue in Arlington, MA. This acquisition marks a symbolic milestone for Leader Bank as we now own the real estate where we first opened our doors.
- New Employees.** As a result of our growth, Leader Bank hired 14 additional employees in 2006. The addition of these team members strengthened several areas of the bank such as Business Development & Community Involvement, Commercial Underwriting, Human Resources, Loan Servicing and Marketing.

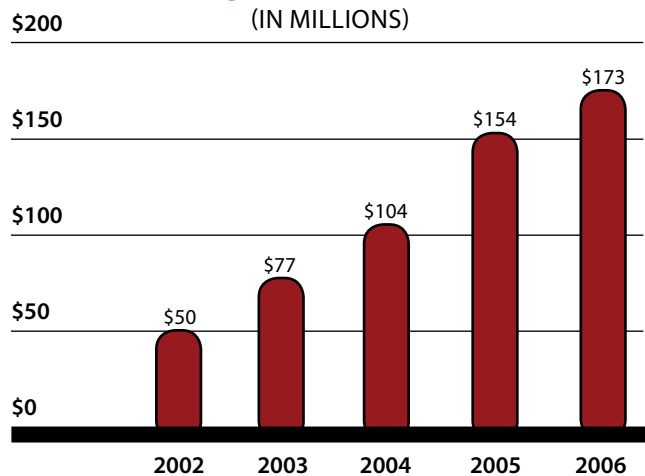
HISTORICAL GROWTH

Assets & Loans

Assets grew by 15% primarily due to the increase in our loan portfolio. Total loans increased by \$27 million or 20% in 2006, comprised of commercial real estate loans and home equity lines of credit.



Deposit Balances

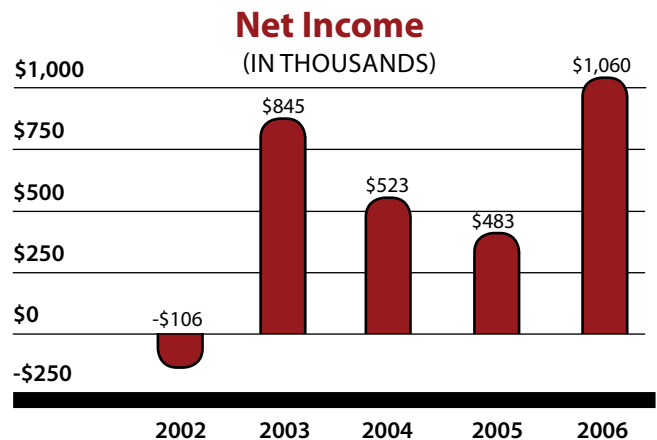


Deposits

Deposits increased \$19 million or 12% from the previous year, and continue to grow as the Leader Bank brand strengthens in Arlington, Cambridge and the neighboring communities. Community involvement, a high standard of personal service and the flexibility to meet our customers' needs are the drivers for our growth and success.

Net Income

Net income increased by \$577 thousand or 119% from the previous year. The change was due to greater net interest income and non-interest income, partially offset by non-interest expenses.



COMMUNITY INVOLVEMENT

Ask any member of our retail banking team about our community philosophy and you will get the same answer - a thriving community organization draws its strength from the businesses in the neighborhood. Whether it's leading the Shop First initiatives for the Chambers of Commerce in Arlington and Cambridge or pioneering new programs with the school systems, Leader Bank is an innovator in the community. We believe that our support for local organizations generates excitement not only for employees but for the community as well.

Feast of the East

Leader Bank sponsored the 8th Annual Arlington Feast of the East on June 4, 2006. The Feast of the East is a celebration of East Arlington's restaurants and businesses. Arlington residents gathered outside the branch to receive balloons and enjoy cotton candy served by Leader Bank employees.



Patriots' Day Parade

On April 17, Leader Bank was a sponsor of the Arlington Patriot's Day Parade. Employees walked in the parade holding a Leader Bank banner, while the Arlington Center branch staff gave away free balloons to passing children.

COMMUNITY INVOLVEMENT

In 2006 we proudly supported the following community organizations:

ARLINGTON

- Arlington Center for the Arts
- Arlington High School
- Arlington Historical Society
- Arlington Hockey Tournament
- Arlington Police Relief
- Boys & Girls Club
- Children's Fund
- Feast of the East
- Fidelity House Annual Fundraiser
- First Lights
- Hardy Elementary School
- Patriots' Day Parade
- Shop Arlington First
- St. Agnes Golf Tournament
- The Children's Room
- Town Day

CAMBRIDGE

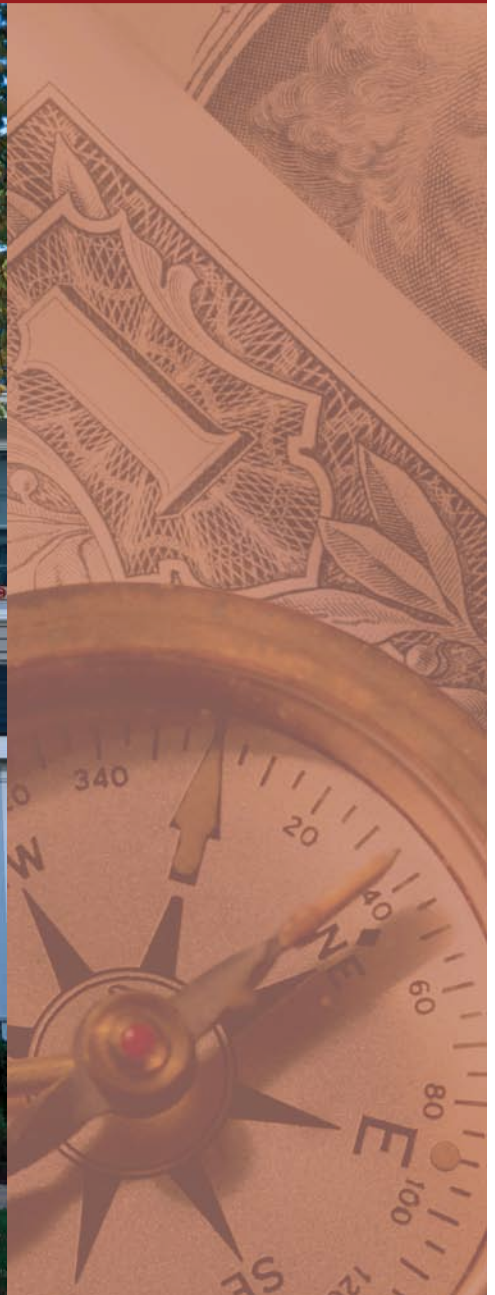
- Brattle Film Foundation
- Cambridge College
- Cambridge Housing Authority
- Cambridge Rotary Chalk Walk
- CCTV Barbecue
- Chorus Boston
- Central Square Business Association
Unity Dinner
Four Square Tournament
- Options for Cambridge Students
- Shop Cambridge First
- YWCA

OTHER NON-PROFIT ORGANIZATIONS

- American Cancer Society
- Boston Prostate Cancer Walk
- Indian Medical Association of N.E.
- Juvenile Diabetes Research



RESIDENTIAL LENDING

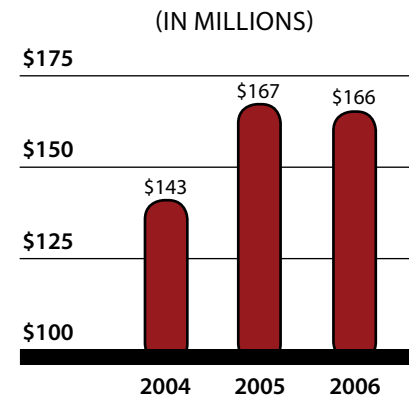


Since our founding, we have taken pride in helping thousands of people attain the American dream of home ownership. Through our wide variety of residential lending programs, we are able to help our customers find the best programs that suit their needs in the most cost-effective manner. We offer competitive rates, low closing costs and quick turn-around time through our streamlined in-house loan processing and local decision-making.

RESIDENTIAL LENDING



Residential Loans Closed



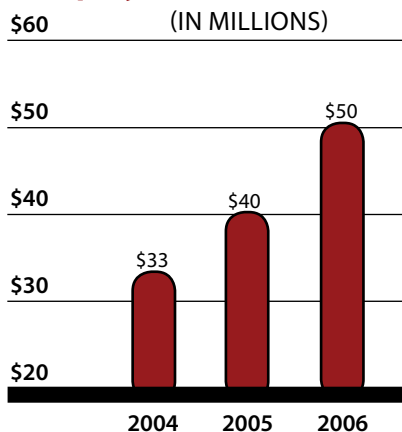
Market Environment

2006 was a difficult year for the real estate market, as single-family home sales in Massachusetts fell 22% with median home prices declining 6% (as reported by Banker & Tradesman). With fixed mortgage rates hovering over 6% for the majority of the year, refinancing activity was also down 14.6%. The combination of these factors has presented challenges to several mortgage organizations.

Despite this slowdown, Leader Bank continued to produce a strong volume of loan originations consistent with the prior year. To mitigate the decreased refinancing activity in 2006 we focused our efforts on purchase financing, and developed special programs for teachers, administrators and other public workers. Our ability to be unaffected by the slowness in the market is a testament to the confidence placed in us by customers, real estate brokers, attorneys and other referral sources for the bank.

With additional loan sales staff and administrative support we are poised to continue our growth in residential lending in the upcoming year.

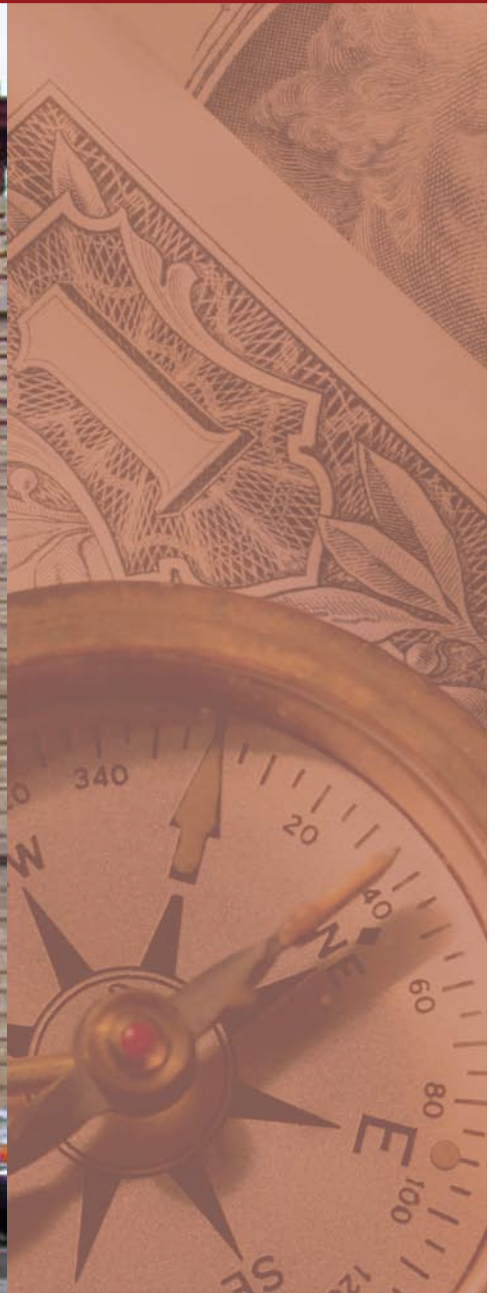
Home Equity Portfolio (Utilized Credit)



Home Equities

Home Equity Loans and Lines of Credit allow our customers to utilize the equity of their homes for various financial needs including home improvement, college education financing and debt consolidation. In the early part of 2006 we launched a Home Equity Line of Credit campaign in an effort to build our portfolio. Through this campaign and other offers we added approximately \$31 million of approved Home Equity credit last year.

COMMERCIAL LENDING



Leader Bank is committed to developing and building commercial relationships. It is our belief that a thriving business sector will contribute to the success of the overall community. We take great pride in our ability to help small and large business owners accomplish their financial dreams, overcome challenges and have peace of mind.

COMMERCIAL LENDING

In **2006** we focused heavily on growing our commercial lending business by hiring key executives and business development managers while attaining SBA approval. Through our sales efforts, we added approximately \$24 million to our commercial loan portfolio last year comprised of commercial estate, motels, restaurants, and franchises.

Residential Apartment Building

Somerville, MA

Leader Bank financed \$4 million for the acquisition of a 33-unit residential apartment building to be converted into condominiums for sale. Included in the financing was a construction hold-back for the renovation of many of the units. Leader Bank also developed a custom financing package with discounted rates and closing costs for buyers of the individual condominiums.



Mixed-use: Residential, Office, Retail Building

Cambridge, MA

The Central Square Branch referred a business relationship that resulted in a \$3.5 million refinance of a commercial building in the heart of Cambridge. This 17,000 square foot mixed-use building contained 9 residential units, 6 office units and 3 retail units.



Inn Town Motel

York, ME

Building off our experience with previous hospitality financings including a Marriott Residence Inn among other hotels, we were able to offer the borrowers a quick closing on the acquisition of the Inn Town Motel.



BRANCH NETWORK & DEPOSITORY SERVICES

In 2006 we significantly augmented our service offerings within our branch network to provide added convenience for our customers:

Deposit Lock Box Service

Leader Bank initiated the Deposit Lock Box service in 2006 for customers receiving high volumes of checks. This solution allows our customers to have a P.O. Box at our bank that is checked daily. Incoming checks are then deposited into their associated accounts, scanned and emailed to the customer everyday. We have found this service to be popular among real estate property managers, law firms, and other service professionals with significant check volume.

New & Improved Debit Card

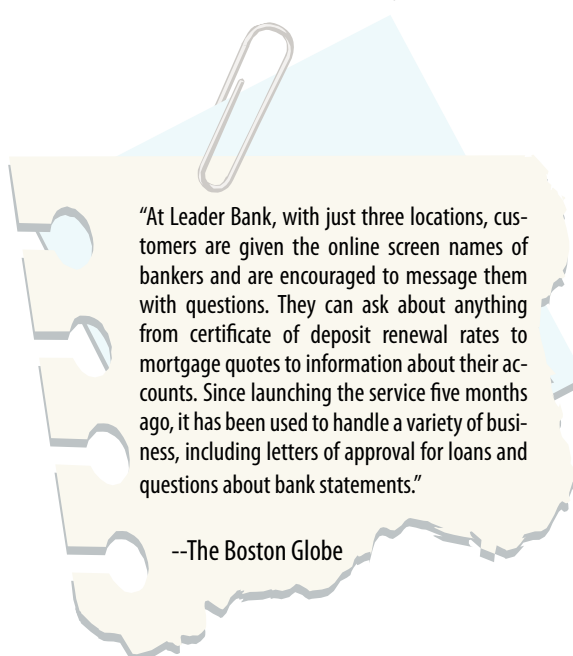
In the second half of 2006 we launched our new and improved Debit Card Design to reflect the true colors and themes of Leader Bank.



Customers have provided positive feedback and are proud to use their Leader Bank Card for purchases everywhere they go. In 2007 we will add more advanced features to the Business Debit Card that will allow multiple users to have different security and access levels on the same account.

Instant Messaging

We initiated both internal and external instant messaging systems to facilitate the lines of communications among branches and the corporate office, as well as customers and branch managers.

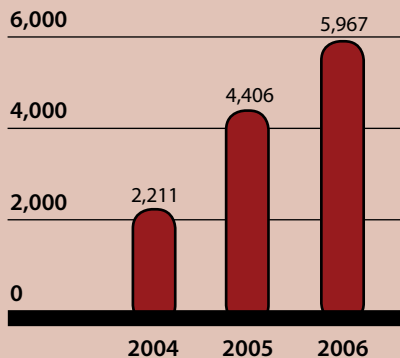


"At Leader Bank, with just three locations, customers are given the online screen names of bankers and are encouraged to message them with questions. They can ask about anything from certificate of deposit renewal rates to mortgage quotes to information about their accounts. Since launching the service five months ago, it has been used to handle a variety of business, including letters of approval for loans and questions about bank statements."

--The Boston Globe

Express Business Loans

Leader Bank has developed an Express Small Business Loan product. This loan is specifically targeted for small business owners seeking either term loans or working lines of credit. The program requires only limited documentation and guarantees a fast turn-around time.



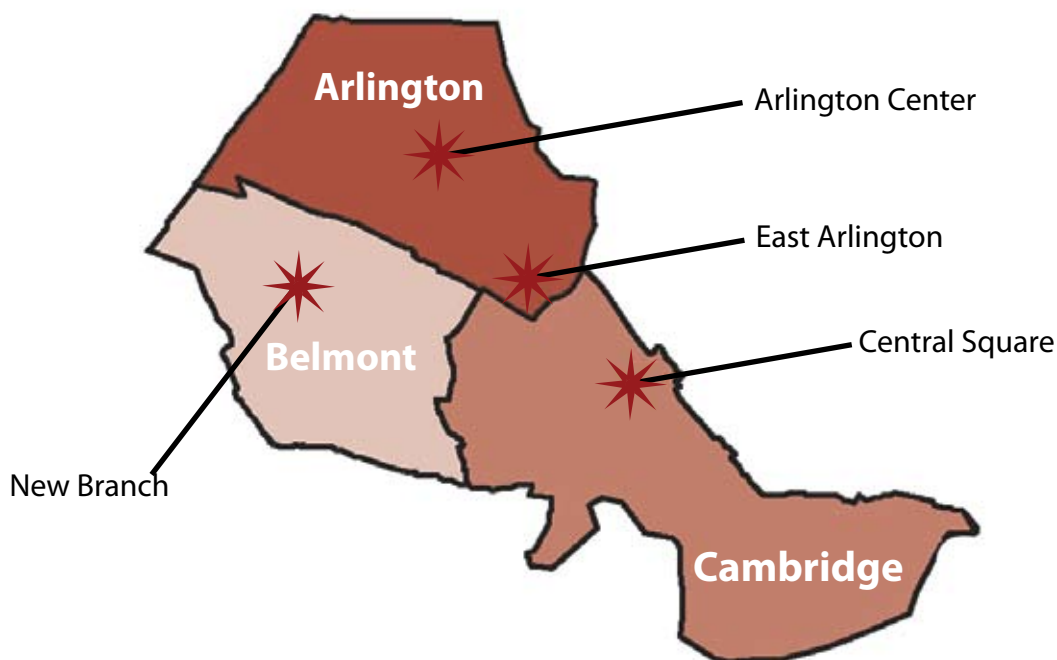
Total Deposit Account Growth

Through our constant focus on offering our clients the best and most convenient services, we have seen our total deposit accounts grow dramatically over the years in both number and balances. In 2006 we added over 1,500 new accounts, a 35% increase from the previous year.

2007... A LOOK AHEAD

Leader Bank has ambitious goals for 2007. We have forecasted solid earnings results through the addition of a new location, continued loan growth and the introduction of new products and services. As we progress, we look forward to taking Leader Bank to new heights.

- **Marketing Initiatives.** The allocation of additional resources to marketing efforts will allow us to better communicate with our customers and gain brand awareness through print and online marketing.
- **Commercial Lending.** We will further strengthen our focus on expanding Leader Bank's Commercial Lending Division in 2007. We will allocate more resources to increase commercial loan business by hiring new Commercial Lending staff and introducing new lending products.
- **E-Corp.** The new E-Corp service will enable business customers to customize online banking functions to better suit their needs and utilize additional banking features including ACH Transactions, Wire Transfers and Security Controls.
- **Remote Deposit Capture.** We will launch a new service to allow business customers to make deposits remotely from the convenience of their own office. Remote Deposit Capture will reduce paper transactions, increase efficiency and speed the availability of funds.
- **New Branch.** Leader Bank will expand its footprint by opening a fourth branch in the neighboring town of Belmont. This highly visible location on route 60 will be a full service branch with a drive up teller window and safe deposit boxes. Leader Bank has a great deal of brand recognition in Belmont and we are confident that this new branch will be successful.



FINANCIAL STATEMENTS

LEADER BANCORP, INC. CONSOLIDATED BALANCE SHEETS (IN THOUSANDS)

Years ended December 31

ASSETS	2006	2005
Cash and due from banks	\$2,981	\$3,702
Interest-bearing deposits	27,617	30,551
CASH AND CASH EQUIVALENTS	30,598	34,253
Certificates of deposit	3,160	4,383
Securities held to maturity, at cost	5,000	6,000
Restricted equity securities, at cost	1,695	1,490
Loans held for sale	5,181	490
Loans, net	161,138	133,802
Mortgage servicing assets	4	530
Premises and equipment, net	1,360	983
Accrued interest receivable	921	692
Other assets	844	470
TOTAL ASSETS	\$209,901	\$183,093

LIABILITIES & STOCKHOLDERS' EQUITY		
Deposits	\$172,563	\$154,415
Federal Home Loan Bank advances	19,852	15,351
Other liabilities	851	978
TOTAL LIABILITIES	193,266	170,744
Stockholders' equity;		
Preferred stock \$1.00 par value; 500,000 shares authorized; no shares issued		
Common stock, \$1.00 par value; 5,000,000 and 3,000,000 shares authorized; 1,256,380 and 1,049,580 issued and outstanding, respectively	1,256	1,050
Additional paid-in capital	12,830	9,810
Retained earnings	2,549	1,489
TOTAL STOCKHOLDERS' EQUITY	16,635	12,349
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$209,901	\$183,093

For an electronic version of the audited financial statement, please email btaylor@leaderbank.com

FINANCIAL STATEMENTS

LEADER BANCORP, INC. CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS)

Years ended December 31

	2006	2005
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$10,185	\$6,726
Interest and dividends on securities and CDs	491	288
Interest on interest-bearing deposits	459	580
TOTAL INTEREST AND DIVIDEND INCOME	<u>11,135</u>	<u>7,594</u>
INTEREST EXPENSE		
Interest on deposits	5,308	3,347
Interest on Federal Home Loan Bank advances	772	614
TOTAL INTEREST EXPENSE	<u>6,080</u>	<u>3,961</u>
NET INTEREST INCOME		
Provision for loan losses	141	242
NET INTEREST INCOME, AFTER PROVISION FOR LOAN LOSSES	<u>4,914</u>	<u>3,391</u>
NON-INTEREST INCOME		
Net gain on sale of loans	1,095	893
Gain on sale of mortgage servicing assets	269	--
Miscellaneous	79	42
TOTAL NON-INTEREST INCOME	<u>1,443</u>	<u>935</u>
NON-INTEREST EXPENSE		
Salaries and benefits	2,673	1,865
Occupancy and equipment	697	596
Professional services	258	209
Data processing	273	221
Advertising and marketing	166	198
Other general and administrative	484	416
TOTAL NON-INTEREST EXPENSE	<u>4,551</u>	<u>3,505</u>
Income before income taxes	1,806	821
Provision for income taxes	746	338
NET INCOME	\$1,060	\$483

BOARD OF DIRECTORS



Sushil K. Tuli – Chairman, President & CEO Leader Bank

Mr. Tuli has served as the President, Chief Executive Officer and Chairman of the Board of Leader Bank since its formation in 2002 and the Holding Company since its formation in 2006. Mr. Tuli is Chairman and sole owner of Leader Mortgage Company, which was formed in 1986. Prior to October 2000, Mr. Tuli also served as President of Leader Mortgage. In 1999 Mr. Tuli chaired the Massachusetts Mortgage Bankers Association (“MMBA”), the largest mortgage banking industry association in New England. From 1994 to 1996 Mr. Tuli served as a member of Fannie Mae’s Regional Advisory Council.

Donald B. Jennings – General Partner, The Partnership for Bank Capital, L.P.

Mr. Jennings has been in the banking industry for over 35 years. He has been a general partner of three partnerships investing in banks and thrifts for over 15 years.

Committees: Audit, Compensation, Investment, Loan

James M. McKenna, Esq. – Attorney

Mr. McKenna is an attorney in private practice, specializing in real estate law. Most recently he was the Town Manager of Gloucester. He has assisted numerous entities in pursuing venture funding, strategic planning, media relations and business development.

Committees: Audit

William P. Monahan, Esq. - Attorney

Mr. Monahan is an attorney in private practice, specializing in family law and domestic relations. Mr. Monahan was elected for seven consecutive terms to the Board of Selectmen of the Town of Belmont.

Committees: Audit, Loan

Nitin Nohria, Ph.D. – Senior Associate Dean, Harvard Business School

Professor Nohria is the Senior Associate Dean and Director of Faculty Development at the Harvard Business School. Professor Nohria serves on various advisory boards and has written several critically acclaimed books.

Committees: Compensation

Eric Silverman – Founder and General Partner, Eastham Capital

Mr. Silverman is an active entrepreneur and investor in a number of businesses. He is a Founder and General Partner of Eastham Capital, a private real estate investment business based in Newton, MA. Prior to that Mr. Silverman was the Chairman and Treasurer of MCMUSA, a Newton, MA based construction management company.

Committees: Loan, Investment, Compensation

LEADER BANK MANAGEMENT



Sushil K. Tuli
Chairman, President & CEO

Mr. Tuli is the Founder, CEO and Chairman of Leader Bank. Mr. Tuli is responsible to lead the bank to achieve its strategic planning objectives. In 2003 and 2005 Mr. Tuli was a finalist for the Ernst & Young New England Entrepreneur of the Year Award.



John Fanciullo
**Executive Vice President,
Operations**

Mr. Fanciullo brings 35 years of banking experience to Leader Bank's management team. He manages all operational, compliance and information technology activities for Leader Bank.



Brian R. Taylor, CPA
**Senior Vice President,
Chief Financial Officer**

Mr. Taylor manages all financial operations at Leader Bank and is essential to the Bank's continued compliance with OCC and FDIC regulations. He has been with Leader Bank since its opening in 2002.

Officers

Branches

Mark Orent, *Vice President, Branch Manager, Central Square, Cambridge*
Bret Schofield, *Assistant Vice President, Branch Manager, East Arlington*
Marc Sannizzaro, *Assistant Vice President, Branch Manager, Arlington Center*

Lending

Alfred Odoardi, *Senior Vice President, Commercial Lending*
Nikita Agarwal, *Assistant Vice President, Residential Lending*
John Marocco, *Assistant Vice President, Residential Lending*

Business Development

Kathleen Darcy, *Vice President, Small Business & Community Development*
Jay Tuli, *Business Development & Marketing*

Operations

Kenneth Masterson, *Vice President, Loan Servicing*
Elizabeth Pero, *Assistant Vice President, Deposit Operations*
Eric Wildman, *Assistant Vice President, Human Resources*

CONTACT US

Corporate Office

Leader Bank, N.A.
180 Massachusetts Avenue
Arlington, MA 02474

Phone: 781-646-3900

Fax: 781-646-3910



Corporate Office

East Arlington Branch

Leader Bank, N.A.
141 Massachusetts Avenue
Arlington, MA 02474

Phone: 781-641-3900

Fax: 781-646-2857

Banking Hours

Monday - Wednesday 8:30 A.M. to 4:00 P.M.
Thursday - Friday 8:30 A.M. to 5:30 P.M.
Saturday 9:00 A.M. to 1:00 P.M.

Arlington Center Branch

Leader Bank, N.A.
449 Massachusetts Avenue
Arlington, MA 02474

Phone: 781-641-0020

Fax: 781-648-3054

Banking Hours

Monday - Wednesday 8:30 A.M. to 4:00 P.M.
Thursday - Friday 8:30 A.M. to 6:00 P.M.
Saturday 9:00 A.M. to 1:00 P.M.

Central Square, Cambridge Branch

Leader Bank, N.A.
675 Massachusetts Avenue
Cambridge, MA 02139

Phone: 617-497-2500

Fax: 617-497-2503

Banking Hours

Monday - Wednesday 8:30 A.M. to 4:00 P.M.
Thursday - Friday 8:30 A.M. to 6:00 P.M.
Saturday 9:00 A.M. to 1:00 P.M.

Call Us Toll Free:
1-877-691-7900

Visit Us Online:
www.leaderbank.com



East Arlington Branch



Arlington Center Branch



Central Square, Cambridge Branch



