

5+ Celebrating Years

2007 ANNUAL REPORT



A Wholly Owned Subsidiary of Leader Bancorp, Inc.

Leader Bank, N.A.

Leader Bank, N.A. is a subsidiary of Leader Bancorp, Inc., a bank holding company headquartered in Arlington, MA. Leader Bank's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Leader Bank opened for business on May 8, 2002 and serves our customers through our branches in Arlington, Cambridge and Belmont.

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*.

Our Rating:



With an increased number of challenges currently facing the financial services industry, Leader Bank is especially proud to have received the a 4-Star recommended rating from Bauer Financial of Coral Gables, FL, the nation's leading independent bank rating and research firm. The 4-star rating is a clear indication that Leader Bank is one of the strongest banks in the country. Our dedication to maintaining safety and soundness above all else has made Leader Bank a healthy financial institution poised for future success.

Chairman's Letter



Sushil K. Tuli
Chairman, President &
Chief Executive Officer

Dear Shareholders, Customers and Friends:

Leader Bank witnessed the completion of a milestone year in 2007, with the celebration of the bank's 5th year of business success and service not only to our customers, but also to our communities, employees, and shareholders. As a testament to our commitment, our bank received the honor of being named "Business of the Year" by the Arlington Chamber of Commerce, an award that we are especially proud to display.

On January 14, 2008, our fourth branch was opened in Belmont. This achievement represents yet another milestone in our continuing efforts to better serve our current customers as well as an opportunity to attract new customers to the bank. In addition to the many products and services offered in our current branches, the Belmont branch features safe deposit boxes and a drive-up teller. Leader Bank continues to show growth within the banking industry by providing innovative financial products, delivering excellent customer service, and building strong relationships in our communities.

Due to a number of various challenges, including decreases in real estate values and sub-prime lending, along with strict tightening in mortgage lending regulations, 2007 was a trying year for the banking industry. This unfortunate trend left many consumers concerned about the health of their financial institutions. Despite the difficulties, however, Leader Bank was able to maintain its strong quality of assets, profitability, and commitment to growth. Our success was so far-reaching, in fact, that we were recently awarded the "Recommended 4-Star Rating" by Bauer Financial of Coral Gables, FL, the nation's leading independent bank rating and research firm.

We eagerly look forward to the challenges and achievements that lie ahead in 2008 and beyond. Your continued support, our involved board members, and the energetic and dedicated staff make all of our achievements possible. Leader Bank is well on its way from being merely "good" to markedly "great". We thank you, our shareholders, customers, and friends for your continued support and we welcome your comments and suggestions.

Sincerely,

Sushil K. Tuli



Financial Snapshot



PERFORMANCE STATISTICS	2007	2006	2005
		(IN THOUSANDS, EXCEPT ACCOUNTS)	
Total Assets	\$208,855	\$209,901	\$183,093
Total Deposits	\$163,098	\$172,563	\$154,415
Total Equity	\$17,488	\$16,635	\$12,349
Total Loan Portfolio	\$180,064	\$161,138	\$133,802
Total Loans Closed	\$239,177	\$190,741	\$184,719
Deposit Accounts	6,471	5,967	4,406
EARNINGS			
		(IN THOUSANDS)	
Net Interest Income	\$5,221	\$5,055	\$3,633
Income Before Taxes	\$1,327	\$1,806	\$821
Net Profit	\$801	\$1,060	\$483
RATIOS			
Return on Assets	0.42%	0.58%	0.32%
Return on Equity	4.86%	8.00%	3.98%
Net Interest Margin	2.71%	2.81%	2.43%

In addition to producing another year of record financial performance, we achieved several milestones in 2007:

- **Arlington Business of the Year Award.** Leader Bank was named business of the year in 2007 for the Town of Arlington.
- **Commercial Loan Growth.** The commercial lending department originated and closed \$57 million of new commercial loans in 2007, of which \$19 million net, was added to the portfolio.
- **Business Account Growth.** Through efforts of the branch network and our business development officers, the Bank added 144 net new business deposit accounts in 2007.

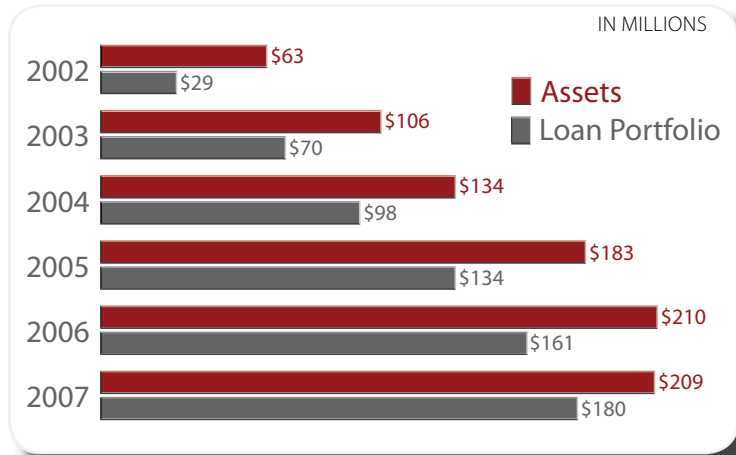


Historical Growth



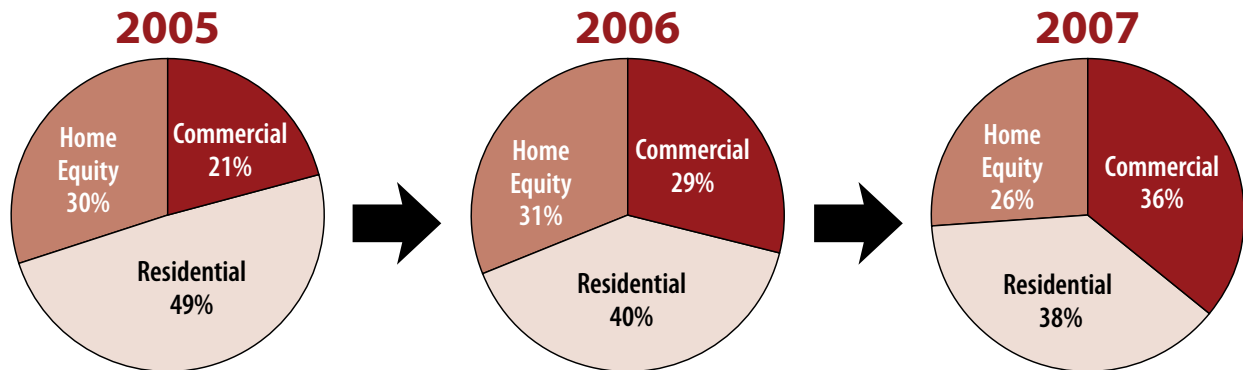
Assets & Loans

At December 31, 2007, total assets were approximately the same as last year as we focused on building our commercial portfolio, planning the new Belmont Branch, and releasing new business account services. Our assets, however, were more efficiently utilized as we invested our surplus cash into commercial loans. Our total loan portfolio increased by 11% to \$180 million with essentially all of the growth from the commercial portfolio.



Asset Mix

Our consumer loans were 64% of the total loan portfolio in 2007. Consumer loans consist of residential and investment 1-4 family properties, home equity lines of credit, fixed second mortgages, and auto loans. The balance of the loan portfolio are commercial loans with real estate or business assets as collateral. The below graph depicts the shift of our loan portfolio mix over the last 3 years:



*Commercial loans include construction loans for illustrative purposes.

Credit Quality

We pride ourselves on conservative lending and careful underwriting. In 2007 we tightened lending standards with practically no new construction loans or condo conversion projects. Our total construction portfolio is \$4.8 million, just 2.6% of total assets. At December 31, 2007, 93% of loans in the portfolio were secured by residential real estate or cash-flow producing commercial properties.

Our credit quality remains excellent, despite the increased levels of delinquency and foreclosures in the general market. At December 31, 2007, our non-performing loans comprised 0.013% of total assets with charge-offs totaling only \$104 thousand for the year.





Community Involvement



As a community-based organization, Leader Bank takes pride in sponsoring local events and providing financial support to foster the continued growth of the communities we serve.

Belmont Police Department

When the Town of Belmont Police Chief Richard J. McLaughlin, reached out to local businesses seeking financial assistance to upgrade the police department's equipment with the latest technology, Leader Bank responded by donating \$3,000 for the purchase of a portable cardiac defibrillator. Sushil K. Tuli, President and CEO of Leader Bank, said, "At Leader Bank we are committed to supporting the communities we serve. In the past we have been an active participant in Arlington and Cambridge, and now as we enter Belmont, we intend to offer the same level of support to this wonderful community."



Arlington's Business of the Year

The Arlington Chamber of Commerce presented Leader Bank with the "Business of the Year" award during its Achievement Awards Ceremony on November 14, 2007. Leader Bank has maintained strong involvement in the Arlington community through its variety of programs for the school system, businesses and residents.

The bank is an active member of the Arlington Chamber of Commerce, partnering with the organization to promote local commerce.

Michele Meagher, president of the Arlington Chamber of Commerce, said, "Leader Bank was selected because it's an anomaly... most of the banks that come into Arlington are coming in to expand. Leader Bank started here and is expanding outwards. It is the only local bank we have left."



Community Involvement



Leader Bank partnered with a number of local organizations to improve the quality of life in the communities we serve. Our employees are encouraged to take an active role in their communities as well. This year we established a scholarship through Arlington Boys and Girls club for a deserving senior.

Employee Profile



Ken Masterson
Vice President

Ken Masterson has demonstrated his dedication to the community at large through extensive involvement in various charitable organizations. Ken has been an active member of the Medway Lions Club for the past 25 years and has participated in such events as Christmas tree sales, bottle and can drives and walkathon benefits. He has twice been named the "Medway Lion of the Year" and has received the "Melvin Jones Fellowship," the highest award in the Medway Lions Club for humanitarian work.

In addition, Ken co-chairs the Medway/Millis Relay for Life, an organization which supports the American Cancer Society, and he is actively involved in Medway Pride Day, Medway Education Foundation and the Framingham Adult English as a Second Language Program. And of course, Ken always makes time to donate blood at the Metrowest Medical Center, an endeavor which has totaled over 6 gallons of blood donation! Indeed, Ken's community contributions are numerous, as are the benefits reaped by residents of Medway. We here at Leader Bank salute Ken Masterson for his inspiring involvement in community service.

Listed below are some of the organizations to which Leader Bank contributes:

Arlington

- Arlington High School
- Arlington Police Relief
- Arlington's 200th Anniversary
- Boys & Girls Club
- Brackett School Library
- Feast of the East
- Fidelity House Annual Fundraiser
- First Lights
- Friends of Robbins Farm Park
- Hardy Elementary School
- Housing Corporation of Arlington
- Shop Arlington First
- St. Agnes Golf Tournament
- Thompson School Campership
- Town Day
- Visiting Nurse & Community Health

Cambridge

- Art Interactive
- Cambridge College
- Cambridge Housing Authority
- Cambridge Rotary Chalk Walk
- CCTV Barbecue
- Chorus Boston
- Central Square Business Association
Holiday Lights Lunar Sponsor
Four Square Tournament
- Salvation Army
- 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



Residential Loans Closed

IN MILLIONS



Market Environment

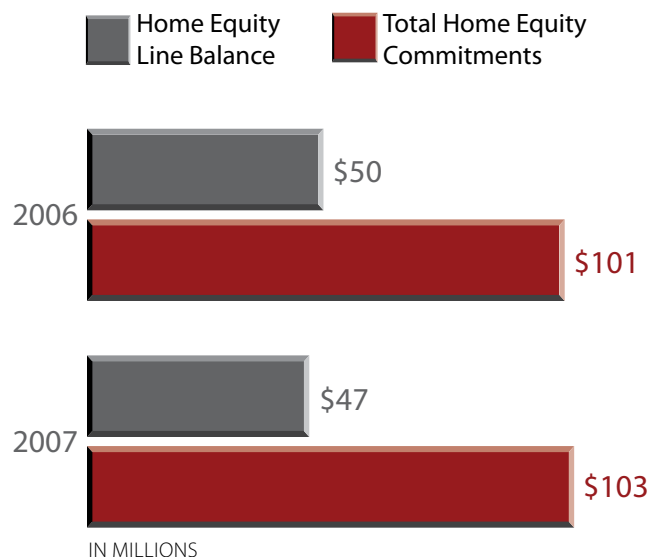
2007 was a challenging year for the financial services industry. As major banking institutions on Wall Street and others felt the effects of the sub-prime meltdown, credit tightened causing an even further softening of the real estate market. Changes in federal lending regulations, underwriting modifications at Fannie Mae and other government agencies, and an increasing rate of foreclosures all contributed to this "credit crunch".

While many larger institutions have been severely impacted, several local and community banks were able to avoid the mortgage meltdown, including Leader Bank. Our loan portfolio continues to be of pristine quality. We also managed to achieve significant loan growth to our target market of high-grade borrowers. In 2007, we increased our total residential loan originations by 9% to \$181 million, as a result of increased brand awareness and more streamlined operations.

Last year we also introduced a highly successful fixed second mortgage program. The fixed second mortgage program allowed borrowers worrisome of interest rate volatility to fix the rate on a 15 year piggy-back mortgage for the purchase of their home.

Home Equities

Home equity lines of credit continue to be a significant piece of our loan portfolio and income generator for the Bank. In 2007, we had \$47 million in outstanding Home Equity line balances in comparison to \$50 million in 2006. However, the total unfunded home equity commitments are \$56 million versus \$51 million, respectively.



Commercial and Small Business Lending

In 2007 commercial real estate lending was a bright spot. We focused heavily on growing our commercial lending business by increasing business development efforts while attaining SBA approval. Through our sales efforts, we closed \$57 million in commercial loans and added a net of \$19 million to our commercial loan portfolio, representing 47% year over year growth. This growth is part of our plan to further diversify our overall loan portfolio toward higher yielding assets such as commercial real estate loans, asset-backed commercial loans and small business loans.



\$9,900,000 Acquisition Financing
Comfort Inn & Best Western in New Hampshire



\$7,000,000 Acquisition Financing
44-unit student apartment complex near Boston University



\$1,720,000 Acquisition Financing
11-unit apartment building in Kendall Square, Cambridge



\$760,000 Acquisition Financing
6-unit multi-family apartment building in Arlington, MA



Our Valued Customers

Leader Bank works closely with small business customers by providing term and line of credit financing to facilitate growth. In 2007 Leader Bank financed approximately \$6 million of business loans to local business owners. In 2008 Leader Bank became a SBA express approved lender, which will further enable us to make more loans for the benefit of small businesses.



Financial Statements



LEADER BANCORP, INC. CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS. YEARS ENDED DECEMBER 31)

ASSETS	2007	2006	2005
Cash and due from banks	\$2,055	\$2,981	\$3,702
Interest-bearing deposits	8,784	27,617	30,551
CASH AND CASH EQUIVALENTS	10,839	30,598	34,253
Certificates of deposit	5,476	3,160	4,383
Securities held to maturity, at cost	2,499	5,000	6,000
Restricted equity securities, at cost	1,936	1,695	1,490
Loans held for sale	4,084	5,181	490
Loans, net	180,064	161,138	133,802
Mortgage servicing assets	0	4	530
Premises and equipment, net	1,741	1,360	983
Accrued interest receivable	995	921	692
Other assets	921	844	470
TOTAL ASSETS	\$208,555	\$209,901	\$183,093
LIABILITIES & STOCKHOLDERS' EQUITY			
Deposits	\$163,098	\$172,563	\$154,415
Federal Home Loan Bank advances	26,746	19,852	15,351
Other liabilities	1,223	851	978
TOTAL LIABILITIES	191,067	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	1,260	1,256	1,050
Additional paid-in capital	12,878	12,830	9,810
Retained earnings	3,350	2,549	1,489
TOTAL STOCKHOLDERS' EQUITY	17,488	16,635	12,349
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$208,555	\$209,901	\$183,093

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



Financial Statements



LEADER BANCORP, INC. CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS. YEARS ENDED DECEMBER 31)

INTEREST AND DIVIDEND INCOME

	2007	2006	2005
Interest and fees on loans	\$11,611	\$10,185	\$6,726
Interest and dividends on securities and CDs	573	491	288
Interest on interest-bearing deposits	340	459	580
TOTAL INTEREST AND DIVIDEND INCOME	12,524	11,135	7,594

INTEREST EXPENSE

Interest on deposits	6,372	5,308	3,347
Interest on Federal Home Loan Bank advances	931	772	614
TOTAL INTEREST EXPENSE	7,303	6,080	3,961

NET INTEREST INCOME

	5,221	5,055	3,633
Provision for loan losses	366	141	242
NET INTEREST INCOME, AFTER PROVISION FOR LOAN LOSSES	4,855	4,914	3,391

NON-INTEREST INCOME

Net gain on sale of loans	1,384	1,095	893
Gain on sale of mortgage servicing assets	--	269	--
Miscellaneous	105	79	42
TOTAL NON-INTEREST INCOME	1,489	1,443	935

NON-INTEREST EXPENSE

Salaries and benefits	2,958	2,673	1,865
Occupancy and equipment	706	697	596
Professional services	389	258	209
Data processing	329	273	221
Advertising and marketing	138	166	198
Other general and administrative	497	484	416
TOTAL NON-INTEREST EXPENSE	5,017	4,551	3,505

Income before income taxes	1,327	1,806	821
Provision for income taxes	526	746	338

NET INCOME	\$801	\$1,060	\$483
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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.

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.

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.

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.

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.

New to the Board:



Priscilla Douglas, Ph.D. **Founder and Principal, PHDouglas & Associates**

Dr. Douglas’s consulting firm, PHDouglas & Associates, coaches individuals and executive teams to be more skillful at working collaboratively and strategically. In February 2008, Dr. Douglas was named Vice President Learning and Development at Vertex Pharmaceuticals, located in Cambridge, MA. Her professional career includes key executive positions in government, academics, and business.



Leader Bank Management



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.

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.

Officers

Branches

Mark Orent, *Vice President, Branch Manager, Central Square, Cambridge*

Bret Schofield, *Assistant Vice President, Branch Manager, East Arlington & Belmont*

Lending

Alfred Odoardi, *Senior Vice President, Commercial Lending*

Jay Tuli, *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*

Operations

Kenneth Masterson, *Vice President, Loan Servicing*

Elizabeth Pero, *Assistant Vice President, Deposit Operations*

Eric Wildman, *Assistant Vice President, Human Resources*



2007 MILESTONES



- **5 Year Anniversary:** Leader Bank is proud to announce the successful achievement of our five year anniversary as a nationally chartered bank.
- **Belmont Branch Preparation:** A great deal of time and energy was spent on the extensive preparation of the new branch in Belmont, MA in 2007. We were able to overcome various zoning and planning challenges, and are now pleased to offer in-bank safe deposit boxes and drive-up service.
- **Gold Coins:** With the stock market and other financial investments so volatile, many experienced and novice investors are turning to a tangible investment: Gold Bullion. Leader Bank now offers American Eagle and Krugerrand one-ounce gold bullion coins.
- **Commercial Lending:** 2007 also saw a strong focus on the expansion of Leader Bank's commercial lending division. Our portfolio in this division grew by 34% for real estate backed loans and by a factor of 4 for business backed loans, with most of the assets originating from apartment and small business lending, as well as new investment in the hospitality sector.
- **Introduction of eBusiness and EasyDeposit®:** During the course of 2007 we successfully implemented Leader eBusiness, a business online banking service, and Leader EasyDeposit®, a remote deposit capture system which allows business customers to deposit checks without having to leave their office. Our business customers are enjoying the benefits of reduced paper transactions, increased efficiency and improved funds availability.

A LOOK AT 2008

We look forward to 2008 being an exciting and profitable year for Leader Bank. We are excited about building our presence in the Belmont area, continuing to enhance our commercial banking products, and maintaining our focus on credit quality and improved earnings.



Contact Us



1-877-691-7900 / www.leaderbank.com



Kathleen Darcy
Vice President
Small Business & Community
Development

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David Brennan
Branch Manager

Arlington Center Branch

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Mark Orent
Vice President
Branch Manager

Central Square, Cambridge Branch

675 Massachusetts Avenue, Cambridge, MA 02139

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Bret Schofield
Assistant Vice President
Branch Manager

Belmont Branch

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A Step Ahead...



Established 2002

Member
FDIC