



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 16, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Leader Bank, National Association
Charter Number 24131

141 Massachusetts Avenue
Arlington, MA 02474-0000

Office of the Comptroller of the Currency

NEW ENGLAND (BOSTON) Field Office
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors supporting this rating are:

- The bank's level of lending, as reflected in its loan-to-deposit ratio, is more than reasonable.
- The distribution of loans reflects a reasonable penetration among borrowers of different income levels.
- The geographic distribution of loans reflects reasonable dispersion in the low- and moderate-income census tracts.

Scope of Examination

The Community Reinvestment Act (CRA) activities of Leader Bank, National Association (Leader Bank) were evaluated using the Small Bank CRA procedures. Our review covered the bank's performance from January 1, 2008 through December 31, 2009, as this was representative of its lending strategy since the last CRA examination. Residential mortgage loans were determined to be the bank's primary lending product and were reviewed as part of this examination. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). As part of our evaluation, we tested the bank's HMDA data and found that the data was accurate. As a result, all HMDA data from January 1, 2008 through December 31, 2009 was used to evaluate the bank's home loan performance.

Description of Institution

Leader Bank is a \$312 million intrastate institution headquartered in Arlington, Massachusetts. Leader Bank is owned by Leader Bancorp Inc., a one-bank holding company. The bank has ties to Leader Mortgage Company which is owned by the bank's president, but this company is not an affiliate of the bank under 12 USC 371c. The bank has its main office and one additional branch in Arlington. A third branch, in Central Square, Cambridge, is located in a moderate-income tract. In January 2008, a fourth branch opened in Belmont. All branches are located in Middlesex County. Each office is equipped with ATMs and the Belmont branch has drive-up facilities. All branches offer Saturday hours and extended banking hours on Thursdays and Fridays. No branches were closed during the evaluation period.

Although not considered branches for CRA purposes, two loan production offices (LPOs) were opened during the evaluation period: October 2008 in Burlington and Needham in May 2009.

The bank is a full service, intrastate institution, offering a standard array of traditional deposit and loan products. The bank's website, www.leaderbank.com, provides a listing and description of its deposit and loan services. Free on-line banking services are offered. The bank participates in Basic Banking for Massachusetts, a state-wide voluntary program, by providing customers both low-cost checking and savings accounts that meet the program's requirements.

Residential real estate lending is the bank's primary focus. Leader Bank originates and purchases loans for its own portfolio and sells loans in the secondary market. Products include conventional mortgage loan products as well as Federal Housing Authority (FHA) and US Department of Veteran Affairs (VA) home loans. Mortgages designed for first-time homebuyers are also offered, and bank management has held first-time homebuyer seminars.

Bank management has identified home mortgage loans and small business lending as the primary credit needs in the AA. Leader Bank received "Small Business Administration (SBA) Express Lender" status in early 2008, which allowed the bank to approve SBA guaranteed loans up to \$350 thousand. The bank was awarded "lender of the quarter" for the third quarter of 2008. This program encourages the growth of small businesses.

As of December 31, 2009, the bank reported \$275 million in net loans and leases and total deposits of \$213 million. Net loans and leases represented 91% of average assets and total deposits were 70% of average assets. Tier 1 Capital, as of December 31, 2009, was \$28.5 million. The loan portfolio is comprised of residential real estate loans (64%), commercial loans (35%), and consumer loans (1%).

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Satisfactory," using small bank procedures, at the last CRA examination dated January 3, 2005.

Description of Assessment Area

The CRA requires a bank to define the assessment area (AA) in which it will be evaluated. Leader Bank has one AA and it includes all branches and deposit-taking ATMs, as well as, the contiguous towns/cities around these offices. The AA is part of the Cambridge-Newton-Framingham, Massachusetts Metropolitan Division, comprises most of Middlesex County, and includes 44 towns/cities. The AA is comprised of 234 census tracts. There are five low-income geographies, 53 moderate-income geographies, 111 middle-income geographies, and 65 upper-income geographies. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Demographic information of Leader Bank's AA is broken out in the table below.

Demographic Information for Leader Bank's AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	234	2%	23%	47%	28%
Population by Geography	1,169,233	2%	22%	48%	28%
Owner Occupied Housing by Geography	273,421	<1%	14%	50%	35%
Family Distribution by Income Level	287,688	19%	18%	22%	41%
2000 Census Median Family Income (MFI)		\$74,121	2009 Median Housing Value*	\$349,000	
			Median Age of Housing	58 Years	
HUD Updated MFI: 2009		\$97,100	Families Below the Poverty Level	6.78%	
			Unemployment Rate **	8.3%	

Source: 2000 US Census data

*Data from Zillow.com

** Data from US Bureau of Labor Statistics as of 1/10. Rate is for Middlesex County.

Leader Bank operates in a highly competitive environment with competition from large regional large commercial banks, local savings banks, and mortgage companies. The Federal Deposit Insurance Corporation's Institutions Deposit Market Share Report, for June 30, 2009, indicates that 57 financial institutions operate 511 branches within Middlesex County. Leader Bank ranks 30th with deposit market share of 0.62%. Primary local competitors include Cambridge Savings Bank, Watertown Savings Bank, and Belmont Savings Bank. Salem Five Bank and Mortgage Master, Incorporated provide further lending competition.

According to Moody's Economy.com, the state of Massachusetts recession is moderating. Job losses continue, although unlike the US in general, they are primarily in service industries, while goods-producing employment is flat. As of January 2010, data from the US Bureau of Labor Statistics indicates the seasonally-adjusted unemployment rate for the state of Massachusetts was 10.4%, compared to the national rate of 10.6%. The unemployment rate for Middlesex County, at 8.3%, was favorable to the state and national rates. Middlesex County is the largest county by population in the state. Major employers in Middlesex County are Harvard University, EMC Corporation, and Massachusetts Institute of Technology.

The state housing market is turning around. Sales of existing single-family homes were up 30% in one year, and the median sales price is increasing for the first time in two years. Prices may see a small decline in the near term as foreclosures increase, but conditions appear to have bottomed. However, the availability of affordable housing in the AA for low- and moderate-income families is still limited. Based on data from Zillow.com as of December 31, 2009, the median cost of housing in Middlesex County was \$349 thousand, and ranged from \$219 thousand to \$1 million. This is higher than the median housing cost in the state of Massachusetts of \$292 thousand.

One community contact, a statewide agency focused on affordable housing issues, sees affordable housing, particularly affordable rental housing, as a major community need as homeowners are being displaced as a result of foreclosures. Another community contact is a statewide organization that helps to protect the equity of low- and moderate-income elderly homeowners and helps avoid home foreclosures. They identified affordable rental housing, foreclosure prevention assistance, and assistance for small businesses and financial literacy as community credit needs.

Conclusions with Respect to Performance Tests

LENDING TEST

Leader Bank's performance under the lending test is satisfactory. The loan-to-deposit ratio is more than reasonable. Slightly less than a majority of the bank's primary loan products are within its AA. Leader Bank has reasonable penetration of loans to borrowers of different income levels. The geographic distribution of loans reflects reasonable dispersion in the low- and moderate-income census tracts.

Loan-to-Deposit Ratio

Leader Bank's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The net loan-to-deposit ratio averaged 106% over the last 20 quarters since the previous CRA examination dated January 3, 2005. During the period since the last examination, the loan-to-deposit ratio ranged from a quarterly low of 87% to a high of 133%. The bank's loan-to-deposit ratio is higher than national peer bank's average of 86% and the peer ratio ranged from a low of 82% to a quarterly high of 89% over the same time period.

Lending in Assessment Area

Leader Bank's lending inside its assessment area needs to improve. It does not meet the standard for satisfactory performance, as the majority of the bank's home loan products were originated outside its assessment area. Within the AA, Leader Bank originated 43% of both the number and dollar amount of loans. The bank's business strategy called for home mortgage loan volume to increase significantly in 2009, and that goal was met as two loan production offices were opened and several new mortgage loan originators were hired.

The following table details the bank's lending within the AA by number and dollar amount of loans.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	409	43%	544	57%	953	112,190	42%	155,060	58%	267,250
Home Refinance	1,200	43%	1,594	57%	2,794	359,206	44%	465,630	56%	824,836
Home Improvement	2	67%	1	33%	3	345	40%	524	60%	869
Totals	1,611	43%	2,139	57%	3,750	471,741	43%	621,214	57%	1,092,955

Source: HMDA-reported data 1/1/2008 to 12/31/09.

Lending to Borrowers of Different Incomes

The distribution of loans originated in the bank's AA reflects a reasonable penetration among borrowers of different income levels. Home improvement loans were not considered as the volume was very low with only three loans made during the evaluation period.

In our analysis, we took the affordability of housing in the AA into consideration. Based on data from Zillow.com as of December 31, 2009, the median cost of housing in Middlesex County was \$349 thousand and ranged from \$219 thousand to \$1 million. The 2009 HUD updated median family income was \$97 thousand and the maximum income a low-income borrower earned was \$49 thousand. Based on these statistics, it would be difficult for low-income borrowers to purchase housing in the AA and this limits the opportunities for home purchase and refinance lending to low-income borrowers. Therefore, we placed more emphasis on moderate-income performance.

The percent of home purchase loans to low-income families is significantly lower than the percent of low-income families in the AA. The percent of home purchase loans exceeds the percent of moderate-income families in the AA.

The distribution of home refinance loans to low-income families is significantly lower than the percent of low-income families in the AA. The percent of home refinance loans is near to the percent of moderate-income families in the AA.

We placed more weight on home refinance lending, as 75% of all originations during the evaluation period were refinance loans. Lower interest rates helped the refinance market, despite the recession. In addition, market competition for home mortgages is very high, limiting Leader Bank's ability to originate mortgages to both low- and moderate-income families. Mortgage lending in the bank's market area is dominated by larger financial and mortgage institutions. According to 2008 peer mortgage market share data, the top 10 lenders in the AA dominated with approximately 48% of the market share for home mortgage loans.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19%	4%	18%	19%	22%	31%	41%	46%
Home Refinance	19%	2%	18%	13%	22%	29%	41%	56%

Source: HMDA-reported data from 1/1/2008 to 12/31/09; 2000 US Census

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion in the low- and moderate-income tracts. We found no conspicuous gaps or areas of low penetration in the bank's lending patterns.

The percent of Leader Bank's lending for home purchase loans in both the low- and moderate-income tracts exceeds the percent of owner occupied housing in those tracts. The percent of refinance loans made in the low-income tracts meets the percent of owner occupied housing in those tracts. The percent of refinance loans in the moderate-income tracts is near to the percent of owner occupied housing in those tracts. We placed more weight on home refinance lending, as 75% of all originations during the evaluation period were refinance loans.

Following is a table that details the bank's performance as compared to the percentage of owner occupied housing units in each census tract income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	< 1%	2%	14%	16%	50%	52%	35%	30%
Home Refinance	< 1%	< 1%	14%	12%	50%	49%	35%	38%

Source: HMDA-reported data from 1/1/2008 to 12/31/09; 2000 US Census

Responses to Complaints

Leader Bank did not receive any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.