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LINCOLN PARK BANCORP

2007 Annual Report to Stockholders

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Dear Shareholders,

The Board of Directors and I provide for you, our shareholders, the 2007 annual report of Lincoln Park Bancorp.

The banking industry found 2007 to be a difficult year, and we at Lincoln Park Savings found it challenging as well. Although we managed to avoid many of the problems our bigger competitors experienced due to our conservative approach to lending and investing, our profitability suffered as well. While our loan portfolio grew modestly in 2007, up from \$67,451,000 in 2006 to \$73,085,000 in 2007, and our interest income increased from \$4,965,000 to \$5,326,000, our interest expense increased from \$2,576,000 in 2006 to \$3,122,000 in 2007. This coupled with the down real estate market made for a challenging environment. We experienced an increase in our percentage of non-performing loans, which amounted to 0.42% of total assets at December 31, 2007 compared to 0.17% of total assets at December 31, 2006.

There were some milestones in 2007. On July 16, 2007 we opened our second branch on Changebridge Road in Montville Township. Utilizing capital from our public offering we were able to purchase this former branch of GSL Savings. We also instituted a stock buy back program in 2007 and repurchased 25,655 shares of stock at a cost of \$199,900.

We also had some modest success in rolling out our new commercial loan products booking over \$1,000,000 in loans in 2007. Our internet banking product was new for 2007 as well with over 247 customers signing up to utilize this product.

We look forward to 2008 as the Federal Reserve has taken bold steps that will help the banking industry by reducing substantially the cost of funds. This, with anticipated growth in our commercial loan business, will help position us well in the coming year.

The Board of Directors, management and our staff thank you for your commitment to our Bank and look forward to 2008.

Sincerely,

David G. Baker
President & CEO

LINCOLN PARK BANCORP

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth selected consolidated financial and other data of Lincoln Park Bancorp at and for the periods indicated. The selected data has been derived in part from the audited consolidated financial statements of Lincoln Park Bancorp. The following information is only a summary, and should be read in conjunction with the consolidated financial statements and notes presented elsewhere in the Annual Report.

	At December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
<u>Selected Financial Condition Data:</u>			
Total assets.....	\$ 102,665	\$ 93,970	\$ 93,958
Loans receivable, net (1).....	73,085	67,451	66,383
Cash and cash equivalents	2,502	2,601	2,316
Term deposits.....	295	190	581
Securities available for sale	1,521	2,574	3,002
Securities held to maturity	21,243	18,335	18,817
Deposits	64,967	57,844	54,367
FHLB advances.....	23,552	21,978	25,534
Stockholders' equity	13,146	13,244	13,388

(1) Net of loans in process, allowance for loan losses and deferred loan fees.

	Years Ended December 31,		
	2007	2006	2005
	(Dollars in Thousands, Except Per Share Data)		
<u>Selected Operations Data:</u>			
Total interest income.....	\$ 5,325	\$ 4,965	\$ 4,418
Total interest expense	<u>3,122</u>	<u>2,576</u>	<u>1,722</u>
Net interest income.....	2,203	2,389	2,696
Provision for (recovery of) loan losses	<u>51</u>	<u>(22)</u>	<u>6</u>
Net interest income after provision for (recovery of) loan losses.....	2,152	2,411	2,690
Non-interest income.....	145	134	100
Non-interest expenses	2,235	2,042	1,843
Income taxes	<u>2</u>	<u>189</u>	<u>370</u>
Net income.....	<u>\$ 60</u>	<u>\$ 314</u>	<u>\$ 576</u>
Net income per share.....	<u>\$ 0.03</u>	<u>\$ 0.18</u>	<u>\$ 0.32</u>

At December 31,

	2007	2006	2005
--	------	------	------

Selected Financial Ratios and Other Data:

Performance Ratios:

Return on average assets (ratio of net income to average total assets)	0.06%	0.33%	0.65%
Return on average equity.....	0.45	2.37	4.40
Net yield on average interest-earning assets	5.57	5.37	5.09
Net interest rate spread (1)	1.82	2.15	2.78
Average interest-earning assets to average interest-bearing liabilities.....	114.77	115.77	116.30
Non-interest expense to average assets	2.27	2.15	2.06
Efficiency ratio	95.17	80.94	65.92

Capital Ratios:

Average equity to average total assets	13.45	13.97	14.65
Tier 1 leverage ratio.....	9.45	10.37	10.70
Tier 1 risk-based ratio.....	16.95	19.06	19.26
Total risk-based capital ratio.....	17.29	19.33	19.58

Asset Quality Ratios:

Net charge-offs to average nonperforming assets	0.06	0.07	0.81
Net charge-offs to average loans outstanding	-	-	0.01
Allowance for loan losses to gross loans outstanding.....	0.26	0.20	0.24
Nonperforming loans to total assets.....	0.42	0.17	0.30
Nonperforming assets to total assets.....	0.42	0.17	0.30

Other Data:

Number of full-service offices.....	2	1	1
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(1) Represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

General

Lincoln Park Bancorp (the "Company") is the stock holding company of Lincoln Park Savings Bank (the "Bank"), and LPS Investment Company is the wholly owned subsidiary of the Bank. The Company is headquartered in Lincoln Park, New Jersey and its principal business currently consists of the operations of the Bank. Lincoln Park Bancorp, MHC, a mutual holding company formed in connection with the Bank's conversion to stock form and reorganization into the holding company form of organization, which was consummated on December 16, 2004, owns 54.0% of the Company's outstanding common stock at December 31, 2007. The Bank's results of operations are dependent primarily on net interest income, which is the difference between the income earned on its loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by the Bank's non-interest income and expenses. The Bank's non-interest income consists primarily of fees and other service charges. The Bank's non-interest expenses principally consist of salaries and employee benefits, occupancy and equipment expenses, and other expenses. Results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies, and actions of regulatory authorities. Future changes in applicable law, regulations, or government policies may materially impact the Bank.

Forward-Looking Statements

The Company's Annual Report and Form 10-KSB contain certain forward-looking statements which are based on certain assumptions and describe future plans, strategies, and expectations of the Company. These forward-looking statements are generally identified by use of the words "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions. The Company's ability to predict results or the actual effect of the future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company and subsidiary include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U. S. Government, including policies of U. S. Treasury and the Federal Reserve Board, the quality and composition of loan and securities portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles and guidelines. The risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The Company does not undertake – and specifically disclaims obligation – to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Critical Accounting Policies

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for loan losses.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. We review the level of the allowance on a quarterly basis, at a minimum, and establish the provision for loan losses based on the composition of the loan portfolio, delinquency levels, loss experience, economic conditions, and other factors related to the collectibility of the loan portfolio. We establish provision for loan losses, which is charged to operations, at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the consolidated financial statements. In evaluating the level of the allowance for loan losses, we consider historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, peer group information, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events change. We used the same methodology and generally similar assumptions in assessing the allowance for both years. The level of the allowance is based on estimates, and the ultimate losses may vary from the estimates. We have allocated the allowance among categories of loan types as well as classification status at each period-end date. Assumptions and allocation percentages based on loan types and classification status have been consistently applied. Non-performing loans are assigned a higher percentage of allowance allocation.

Although we believe that we use the best information available to establish the allowance for loan losses, future additions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, the regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on their judgments about information available to it at the time of their examinations.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Comparison of Financial Condition at December 31, 2007 and 2006

Our total assets increased by \$8.7 million or 9.25%, to \$102.7 million at December 31, 2007 from \$94.0 million at December 31, 2006. During the year ended December 31, 2007, the level of cash and cash equivalents decreased by \$99,000, or 3.81%, to \$2.5 million at December 31, 2007 from \$2.6 million at December 31, 2006. Term deposits increased \$105,000 or 55.26% to \$295,000 at December 31, 2007 when compared with \$190,000 at December 31, 2006. The decrease in cash and cash equivalents was a result of normal operating activities of the Bank. The increase in term deposits resulted from purchases of four certificates of deposit totaling \$397,000, offset by maturities totaling \$297,000.

Securities available for sale decreased \$1.1 million or 40.89% to \$1.5 million at December 31, 2007 when compared with \$2.6 million at December 31, 2006. The decrease in securities available for sale resulted primarily from sales, maturities, calls and repayments. During the year ended December 31, 2007, purchases of securities available for sale amounted to \$417,000, which was offset by sales of \$413,000, calls of \$1,000,000, and principal repayments of \$22,000. Securities held to maturity increased \$2.9 million or 15.86% to \$21.2 million at December 31, 2007 when compared with \$18.3 million at December 31, 2006. During the year ended December 31, 2007, purchases of securities held to maturity amounted to \$4.2 million which offset maturities, calls, and repayments of \$1.2 million. Loans receivable amounted to \$73.1 million and \$67.5 million at December 31, 2007 and 2006, respectively, representing an increase of \$5.6 million or 8.35%. Such increase was primarily the result of loan originations totaling \$19.5 million, which exceeded repayments totaling \$13.8 million.

Other assets increased \$360,000 or 100.56% to \$718,000 at December 31, 2007 from \$358,000 at December 31, 2006. The increase was primarily due to changes in taxes payable, deferred tax accounts, and a disbursement to an attorney in the amount of \$270,000 for a loan that was originated but not closed as of December 31, 2007.

Total deposits increased \$7.1 million or 12.31% to \$64.9 million at December 31, 2007 from \$57.8 million at December 31, 2006. The increase in deposits was due to a management decision to be more competitive with deposit rates and an increase of \$3.5 million with the purchase of the Montville branch. Advances from the FHLB increased \$1.6 million or 7.16% to \$23.6 million at December 31, 2007 when compared with \$22.0 million at December 31, 2006.

Other liabilities increased \$59,000 or 10.80% to \$601,000 at December 31, 2007 when compared to \$543,000 at December 31, 2006. The increase was primarily due to increases in accrued expenses for the directors' retirement plan and accrued audit and accounting fees.

Stockholders' equity totaled \$13.1 million and \$13.2 million at December 31, 2007 and December 31, 2006, respectively, reflecting net income of \$60,000, and the amortization of \$87,000 for the ESOP, the restricted stock, and stock options for the twelve months ended December 31, 2007. The Company also purchased \$200,000 of its common stock at an average price of \$7.79, which is reflected as treasury stock in the stockholders' section of the Statement of Condition.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Comparison of Operating Results for the Years Ended December 31, 2007 and 2006

General. Net income decreased \$254,000, or 80.88%, to \$60,000 for the year ended December 31, 2007, from \$314,000 for the year ended December 31, 2006. The decrease in net income reflects increases in interest expense on deposits and non-interest expenses, and an increase of \$74,000 in provision for loan losses, partially offset by increases in total interest income and non-interest income, and decreases in interest expense on borrowed money and income taxes.

Interest Income. Interest income increased by \$361,000 to \$5.3 million for the year ended December 31, 2007, from \$5.0 million for the year ended December 31, 2006. The increase in interest income was due to increases of \$298,000 in interest income from loans and \$62,000 in interest income on securities. The increase in interest income resulted from an increase of \$3.1 million or 3.34% in average balance of interest-earning assets to \$95.6 million during the year ended December 31, 2007 when compared to \$92.5 million during the year ended December 31, 2006, along with an increase of twenty basis points in the yield on interest-earning assets from 5.37% in 2006 to 5.57% in 2007.

Interest income from loans receivable increased \$298,000, or 7.76%, to \$4.1 million for the year ended December 31, 2007, from \$3.8 million for the year ended December 31, 2006. The increase was due to a \$4.0 million or 5.88% increase in the average balance of loans receivable to \$71.7 million in 2007 from \$67.7 million in 2006 and an increase in the average yield to 5.78% in 2007 from 5.68% in 2006.

Interest income on securities, including available for sale and held to maturity, increased \$62,000, or 5.86% to \$1.1 million for the year ended December 31, 2007. This was primarily due to an increase in the average yield of taxable securities to 5.28% in 2007 from 4.93% in 2006. The average balance on tax exempt securities decreased \$356,000 or 38.6% to \$566,000 in 2007 from \$922,000 in 2006. The average yield on tax exempt securities increased to 5.30% from 3.90% in 2006.

Interest income on other interest-earning assets remained unchanged at \$57,000 for the years ending December 31, 2007 and 2006. The average balance of other interest-earning assets decreased by \$484,000 to \$2.6 million in 2007 from \$3.1 million in 2006, and the yield increased to 2.18% in 2007 from 1.84% in 2006.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Comparison of Operating Results for the Years Ended December 31, 2007 and 2006 (Cont'd.)

Interest Expense. Total interest expense increased \$546,000, or 21.2%, to \$3.1 million for 2007 from \$2.6 million for 2006. The increase in interest expense resulted from a \$3.4 million increase in the average balance on total interest bearing liabilities to \$83.3 million in 2007 from \$79.9 million in 2006, along with an increase of 53 basis points in the cost of interest bearing liabilities to 3.75% in 2007 from 3.22% in 2006.

Interest expense on deposits increased \$704,000 to \$2.2 million in 2007 from \$1.5 million in 2006. The increase during 2007 resulted from an increase in the average cost of interest-bearing deposits to 3.55% in 2007 from 2.73% in 2006, along with an increase in the average balance of interest-bearing deposits to \$61.4 million in 2007 from \$54.1 million in 2006. The average balance of interest-bearing demand accounts increased \$254,000 or 2.10% to \$12.1 million in 2007 from \$11.8 million in 2006. The average balance of savings and club accounts decreased \$2.4 million, or 16.2%, to \$12.3 million for the year ended December 31, 2007 from \$14.7 million for the year ended December 31, 2006. The average balance of certificates of deposit increased \$9.3 million or 33.9% to \$36.9 million in 2007 from \$27.6 million in 2006.

The interest expense on borrowed money decreased \$159,000 to \$942,000 in 2007 from \$1.1 million in 2006. The decrease during 2007 was due to a decrease of \$3.8 million in the average balance of borrowed money to \$22.0 million in 2007 from \$25.8 million in 2006, partially offset by an increase in the average cost of borrowed money to 4.29% in 2007 from 4.26% in 2006, reflecting an increase in market interest rates during 2007.

Net Interest Income. Net interest income decreased \$186,000, or 7.8%, to \$2.2 million for 2007 from \$2.4 million for 2006. Our net interest rate spread was 1.82% and 2.15% during the years ended December 31, 2007 and 2006, respectively.

Provision for (Recovery of) Loan Losses. Based on our evaluation of the factors mentioned above we had a provision of \$51,000 for the year ended December 31, 2007, as compared to a recovery of \$22,000 for the year ended December 31, 2006. We used the same methodology and generally similar assumptions in assessing the allowance for both years. The allowance for loan losses was \$187,000, or 0.26% of total loans outstanding at December 31, 2007, as compared with \$136,000, or 0.20% of total loans outstanding at December 31, 2006. The level of the allowance is based on estimates, and the ultimate losses may vary from the estimates.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Comparison of Operating Results for the Years Ended December 31, 2007 and 2006 (Cont'd.)

Non-interest Income. Non-interest income totaled \$145,000 for the year ended December 31, 2007, as compared to \$134,000 for the year ended December 31, 2006. The increase in the 2007 period resulted primarily from an increase of \$15,000 in fees and service charges, an increase of \$6,000 in gain on sales of securities available for sale offset by a decrease of \$9,000 in miscellaneous income. The decrease in miscellaneous income was due to a reversal of an accrual of supervisory fees and assessment expense for the year ending December 31, 2006. The reversal was because of a change in the methodology of assessing supervisory fees by the New Jersey Department of Banking.

Non-interest Expenses. Non-interest expenses for the years ended December 31, 2007 and 2006 were \$2.2 million and \$2.0 million, respectively, reflecting an increase of \$193,000 or 9.44%. Salaries and employee benefits increased \$128,000 or 14.92% to \$983,000 from \$855,000, primarily as a result of an increase in full time personnel in general and also to staff the Montville Branch. Occupancy expense increased \$33,000 or 30.0% to \$143,000 from \$110,000, due to increases in costs of repairs and maintenance and also expenses related to the purchase of the Montville Branch. Equipment expenses increased \$54,000 or 21.7% to \$301,000 from \$247,000, primarily due to purchases, upgrading and maintenance of software and other equipment. Advertising expense increased \$14,000 or 31.20% to \$59,000 from \$45,000. The increase was primarily due to expenses related to promoting the Montville Branch. Miscellaneous non-interest expenses decreased \$35,000 or 4.59% to \$742,000 from \$777,000, mainly due to a reduction in director fees expense.

Income Tax Expense. The provision for income taxes totaled \$2,000 and \$189,000 in 2007 and 2006, respectively. The decrease in the provision for income taxes is primarily due to our reduced income before taxes of \$62,000 in 2007 compared with \$503,000 in 2006.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Average Balance Sheet

The following table presents, at the date and for the periods indicated, the total dollar amount of interest income from average interest earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. No tax equivalent adjustments were made. All average balances are monthly average balances. Non-accruing loans have been included in the table as loans carrying a zero yield. The amortization of loan fees is included in computing interest income; however, such fees are not material.

	At December 31, 2007		Year Ended December 31,					
	Outstanding Balance	Yield/ Cost	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Cost	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Cost
(Dollars in Thousands)								
Interest-earning assets:								
Loans receivable ⁽¹⁾	\$ 73,085	5.88%	\$ 71,706	\$ 4,144	5.78%	\$ 67,726	\$ 3,846	5.68%
Taxable securities ⁽²⁾⁽³⁾	22,198	6.13%	20,744	1,095	5.28%	20,795	1,026	4.93%
Tax-exempt securities ⁽²⁾	566	4.15%	566	30	5.30%	922	36	4.39%
Other interest-earning assets.....	2,611	5.08%	2,613	57	2.18%	3,097	57	1.84%
Total interest-earning assets.....	98,460	5.84%	95,629	5,326	5.57%	92,540	4,965	5.37%
Non-interest-earning assets.....	4,205		3,042			2,249		
Total assets.....	\$ 102,665		\$ 98,671			\$ 94,789		
Interest-bearing liabilities:								
Interest-bearing deposits:								
Demand.....	\$ 12,114	2.24%	\$ 12,080	306	2.53%	\$ 11,826	262	2.22%
Savings and club.....	11,616	1.01%	12,323	124	1.02%	14,698	148	1.01%
Certificates of deposit.....	39,183	4.78%	36,950	1,750	4.74%	27,606	1,066	3.86%
Borrowed money.....	23,552	4.18%	21,971	942	4.29%	25,802	1,100	4.26%
Total interest-bearing liabilities.....	86,465	3.75%	83,324	3,122	3.75%	79,932	2,576	3.22%
Non-interest-bearing liabilities:								
Non-interest-bearing demand.....	2,054		1,236			1,104		
Other.....	1,000		835			509		
Total liabilities.....	89,519		85,395			81,545		
Equity.....	13,146		13,276			13,244		
Total liabilities and equity.....	\$ 102,665		\$ 98,671			\$ 94,789		
Net interest income.....				\$ 2,204			\$ 2,389	
Interest rate spread ⁽⁴⁾		2.09%			1.82%			2.15%
Net interest margin ⁽⁵⁾					2.30%			2.58%
Net interest-earning assets.....	\$ 11,995		\$ 12,305			\$ 12,608		
Ratio of interest-earning assets to interest-bearing liabilities.....	1.14x		1.15x			1.16x		

- (1) Loans receivable are net of the allowance for loan losses.
- (2) Includes both available for sale and held to maturity securities.
- (3) Includes stock in Federal Home Loan Bank of New York.
- (4) Net interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
- (5) Net interest margin represents net interest income as a percentage of interest-earning assets.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Rate/Volume Analysis

The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and the net change. The changes attributable to the combined impact of volume and rate changes have been allocated on a proportional basis between changes in volume and rate.

	Year Ended December 31,		
	2007 vs. 2006		
	Increase/(Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
(Dollars in Thousands)			
Interest income:			
Loans receivable	\$ 229	\$ 69	\$ 298
Taxable securities	(8)	76	68
Tax-exempt securities	(13)	7	(6)
Other interest-earning assets	(10)	10	-
Total interest income	198	162	360
Interest expense:			
Interest-bearing deposits:			
Demand	6	38	44
Savings and club accounts	(25)	1	(24)
Certificates of deposits	409	275	684
Borrowed money	(166)	8	(158)
Total interest expense	224	322	546
Net change in interest income	\$ (26)	\$ (160)	\$ (186)

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Our full board of directors is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors. Senior management monitors the level of interest rate risk and reports to the board of directors on a regular basis with respect to our asset/liability policies and interest rate risk position.

We have emphasized the origination of fixed-rate mortgage loans for retention in our portfolio in order to maximize our net interest income. We accept increased exposure to interest rate fluctuations as a result of our investment in such loans. In a period of rising interest rates, our net interest rate spread and net interest income may be negatively affected. In addition, we have sought to manage and mitigate our exposure to interest rate risks in the following ways:

- We maintain moderate levels of short-term liquid assets. At December 31, 2007, our short-term liquid assets totaled \$2.6 million;
- We originate for portfolio adjustable-rate mortgage loans. At December 31, 2007, our adjustable-rate mortgage loans totaled \$13.2 million;
- We attempt to increase the maturity of our liabilities as market conditions allow. In particular, in recent years, we have emphasized intermediate- to long-term FHLB advances as a source of funds. At December 31, 2007, we had \$22.6 million of FHLB advances with terms to maturity of between one and ten years; and
- We invest in securities with step-up rate features providing for increased interest rates prior to maturity according to a pre-determined schedule and formula. However, these step-up rates may not keep pace with rising interest rates in the event of a rapidly rising rate environment. In addition, these investments may be called at the option of the issuer.

Net Portfolio Value. The Company utilizes an outside vendor to prepare the computation of amounts by which the net present value of the Company's cash flow from assets, liabilities and off-balance sheet items (the Company's net portfolio value or "NPV") would change in the event of a range of assumed changes in market interest rates. The vendor provides the Company with an interest rate sensitivity report of net portfolio value. The vendor's simulation model uses a discounted cash flow analysis and an option-based pricing approach to measuring the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under the assumption that the yield curve increases or decreases instantaneously by 200 basis points. A basis point equals one-hundredth of one percent, and 100 basis points equal one percent. An increase in interest rates from 3% to 5% would mean, for example, a 200 basis point increase in the "Change in Interest Rates" column below. The vendor provides us the results of the interest rate sensitivity model, which is based on information we provide to them to estimate the sensitivity of our net portfolio.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The table below sets forth, as of December 31, 2007, the latest date for which the vendor has provided Lincoln Park Savings an interest rate sensitivity report of net portfolio value and the estimated changes in our net portfolio value that would result from the designated instantaneous changes in the yield curve.

Change in Interest Rates (basis points)	Net Portfolio Value			Net Portfolio Value as a Percentage of Present Value of Assets	
	Estimated NPV	Amount of Change	Percent of Change	NPV Ratio	Change in Basis Points
	(Dollars in Thousands)				
+200	\$ 11,996	\$ (3,229)	(21)%	12.70%	(239) basis points
0	15,225	—	—	15.09%	— basis points
-200	16,762	1,537	10%	15.80%	71 basis points

The table above indicates that at December 31, 2007, in the event of a 200 basis point decrease in interest rates, we would experience a 10% increase in net portfolio value. In the event of a 200 basis point increase in interest rates, we would experience a 21% decrease in net portfolio value.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on its net interest income and will differ from actual results.

Liquidity and Capital Resources

The Bank is required to maintain levels of liquid assets sufficient to ensure the Bank's safe and sound operation. Liquidity is the ability to meet current and future financial obligations of a short-term nature. The Bank adjusts its liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes from escrow accounts on mortgage loans, repayment of borrowings, when applicable, and loan funding commitments. The Bank also adjusts its liquidity level as appropriate to meet its asset/liability objectives.

The Bank's primary sources of funds are deposits, amortization and prepayments of loans and mortgage-backed securities principal, FHLB advances, maturities of investment securities and funds provided from operations. While scheduled loan and mortgage-backed securities amortization and maturing investment securities are a relatively predictable source of funds, deposit flow and loan and mortgage-backed securities prepayments are greatly influenced by market interest rates, economic conditions and competition.

**LINCOLN PARK BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Liquidity and Capital Resources (Continued)

The Bank's liquidity, represented by cash and cash equivalents, is a product of its operating, investing and financing activities.

The primary sources of investing activity are lending and the purchase of securities. Net loans amounted to \$73.1 million and \$67.5 million at December 31, 2007 and 2006, respectively. Securities available for sale totaled \$1.5 million and \$2.6 million at December 31, 2007 and 2006, respectively. Securities held to maturity totaled \$21.2 million and \$18.3 million at December 31, 2007 and 2006, respectively. In addition to funding new loan production and securities purchases through operating and financing activities, such activities were funded by principal repayments on existing loans and mortgage-backed securities.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as federal funds and interest-bearing deposits. If the Bank requires funds beyond its ability to generate them internally, borrowing agreements exist with the FHLB which provide an additional source of funds. At December 31, 2007, advances from the FHLB amounted to \$23.6 million, and an additional \$14.5 million borrowings are still available at the FHLB.

The Bank anticipates that it will have sufficient funds available to meet its current loan commitments. At December 31, 2007, the Bank has outstanding commitments to originate loans of \$1,026,000. Certificates of deposit scheduled to mature in one year or less at December 31, 2007, totaled \$36.1 million. Management believes that, based upon its experience and the Bank's deposit flow history, a significant portion of such deposits will remain with the Bank.

We are subject to various regulatory capital requirements administered by the Federal Deposit Insurance Corporation, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to board risk categories. At December 31, 2007, we exceeded all of our regulatory capital requirements. We are considered "well capitalized" under regulatory guidelines.

Contractual Obligations and Off-Balance Sheet Arrangements

In the normal course of business, the Bank enters into off-balance sheet arrangements consisting of commitments to fund mortgage loans and lines of credit secured by real estate. For more information regarding these commitments, see Note 15 of the Notes to Consolidated Financial Statements.

Effect of Inflation and Changing Prices

The consolidated financial statements and related consolidated financial data presented in this report have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Lincoln Park Bancorp and Subsidiary
Lincoln Park, New Jersey

We have audited the accompanying consolidated statements of financial condition of Lincoln Park Bancorp and Subsidiary (the "Corporation") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lincoln Park Bancorp and Subsidiary as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 13, the Corporation changed its method of accounting for Defined Benefit Pension and Other Postretirement Plans in 2006.

Beard Miller Company LLP

Beard Miller Company LLP
Pine Brook, New Jersey
March 25, 2008

LINCOLN PARK BANCORP AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	December 31,	
	2007	2006
ASSETS		
Cash and amounts due from depository institutions	\$ 1,380,443	\$ 1,228,459
Interest-bearing deposits	<u>1,121,100</u>	<u>1,372,050</u>
Cash and Cash Equivalents	2,501,543	2,600,509
Term deposits	295,347	189,771
Securities available for sale	1,521,150	2,573,628
Securities held to maturity (estimated fair value 2007 \$21,113,423; 2006 \$17,890,013)	21,242,614	18,334,915
Loans receivable, net of allowance for loan losses 2007 \$187,000; 2006 \$136,000	73,084,652	67,450,821
Premises and equipment	1,584,437	851,357
Federal Home Loan Bank of New York stock	1,194,700	1,121,400
Interest receivable	522,535	489,495
Other	718,462	358,258
Total Assets	<u><u>\$ 102,665,440</u></u>	<u><u>\$ 93,970,154</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing deposits	\$ 2,054,395	\$ 768,473
Interest bearing deposits	<u>62,912,303</u>	<u>57,075,421</u>
Total Deposits	64,966,698	57,843,894
Advances from Federal Home Loan Bank of New York	23,552,000	21,978,331
Advance payments by borrowers for taxes and insurance	399,439	360,771
Other	<u>601,459</u>	<u>542,848</u>
Total Liabilities	<u><u>89,519,596</u></u>	<u><u>80,725,844</u></u>
STOCKHOLDERS' EQUITY		
Preferred stock; no par value; 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock; \$0.01 par value; 5,000,000 shares authorized; 1,851,500 shares issued; 1,825,845 outstanding at December 31, 2007; 1,851,500 shares outstanding at December 31, 2006.	18,515	18,515
Paid-in capital	7,557,515	7,484,694
Retained earnings	6,307,376	6,252,608
Treasury stock; 25,655 and 0 shares, at cost	(199,900)	-
Unearned ESOP shares	(327,501)	(346,861)
Accumulated other comprehensive loss	<u>(210,161)</u>	<u>(164,646)</u>
Total Stockholders' Equity	<u><u>13,145,844</u></u>	<u><u>13,244,310</u></u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 102,665,440</u></u>	<u><u>\$ 93,970,154</u></u>

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2007	2006
INTEREST INCOME		
Loans, including fees	\$ 4,144,138	\$ 3,845,732
Securities	1,124,611	1,062,363
Other interest-earning assets	56,924	56,937
Total Interest Income	5,325,673	4,965,032
INTEREST EXPENSE		
NOW and money market	306,114	261,640
Savings and club	123,770	148,062
Certificates of deposit	1,750,027	1,066,422
Borrowings	942,338	1,099,983
Total Interest Expense	3,122,249	2,576,107
Net Interest Income	2,203,424	2,388,925
PROVISION FOR (RECOVERY OF) LOAN LOSSES	51,401	(22,384)
Net Interest Income after Provision for (Recovery of) Loan Losses	2,152,023	2,411,309
NON-INTEREST INCOME		
Fees and service charges	103,045	88,451
Gain on calls of term deposits and securities held to maturity	-	500
Gain on sales of securities available for sale	15,256	9,612
Other	26,587	35,513
Total Non-Interest Income	144,888	134,076
NON-INTEREST EXPENSES		
Salaries and employee benefits	982,727	855,109
Occupancy expense of premises	142,879	109,903
Equipment	301,072	247,474
Advertising	59,487	45,340
Federal insurance premium	7,037	6,973
Other	741,770	777,431
Total Non-Interest Expenses	2,234,972	2,042,230
Income before Income Taxes	61,939	503,155
INCOME TAXES	1,901	189,163
Net Income	\$ 60,038	\$ 313,992
NET INCOME PER SHARE - BASIC	\$ 0.03	\$ 0.18
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING :		
BASIC	1,784,454	1,792,115
NET INCOME PER COMMON SHARE:		
DILUTED	\$ 0.03	\$ 0.17
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
DILUTED	1,784,912	1,794,648

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2007 and 2006

	Common Stock	Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive Loss	Total
BALANCE-DECEMBER 31, 2005	\$ 18,515	\$ 7,776,418	\$ 5,982,726	\$ (366,220)	\$ -	\$ (23,901)	\$ 13,387,538
Comprehensive income:							
Net income			313,992				313,992
Other comprehensive income:							
Realized gain on sale of securities available for sale, net of deferred income taxes of \$3,851	-	-	-	-	-	(5,761)	
Unrealized holding gain on securities available for sale, net of deferred income taxes of \$15,440	-	-	-	-	-	23,102	17,341
Total Comprehensive Income							331,333
Adjustment to initially apply FASB No. 158, net of deferred income taxes of \$105,390	-	-	-	-	-	(158,086)	(158,086)
Purchase of restricted Stock	-	(355,778)	-	-	-	-	(355,778)
Restricted stock earned	-	30,095	-	-	-	-	30,095
Stock options	-	33,959	-	-	-	-	33,959
Dividends paid	-	-	(40,882)	-	-	-	(40,882)
ESOP shares committed to be released	-	-	(3,228)	19,359	-	-	16,131
BALANCE-DECEMBER 31, 2006	18,515	7,484,694	6,252,608	(346,861)	-	(164,646)	13,244,310
Comprehensive income:							
Net income			60,038				60,038
Other comprehensive income:							
Realized gain on sale of securities available for sale, net of deferred income taxes of \$6,102	-	-	-	-	-	(9,154)	
Unrealized holding loss on securities available for sale, net of deferred income taxes \$10,506	-	-	-	-	-	(45,776)	
Directors' retirement plan, net of deferred taxes of \$3,766	-	-	-	-	-	9,415	(45,515)
Total Comprehensive Income							14,523
ESOP shares committed to be released	-	-	(5,270)	19,360	-	-	14,090
Restricted stock earned	-	35,894	-	-	-	-	35,894
Stock options	-	36,927	-	-	-	-	36,927
Treasury stock purchased (25,655 shares)	-	-	-	-	(199,900)	-	(199,900)
BALANCE-DECEMBER 31, 2007	\$ 18,515	\$ 7,557,515	\$ 6,307,376	\$ (327,501)	\$ (199,900)	\$ (210,161)	\$ 13,145,844

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 60,038	\$ 313,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	73,491	67,693
Amortization and accretion, net	108,981	33,551
Gain on sale of securities available for sale	(15,256)	(9,612)
Gain on calls of term deposits and securities held to maturity	-	(500)
Provision for (recovery of) loan losses	51,401	(22,384)
Increase in interest receivable	(33,040)	(41,323)
(Increase) decrease in other assets	(321,555)	4,876
Increase in accrued interest payable	799	15,600
Deferred income taxes (benefit)	(39,241)	(25,728)
Increase (decrease) in other liabilities	66,183	(15,753)
ESOP shares committed to be released	14,090	16,131
Restricted stock earned	35,894	30,095
Stock options	36,927	33,959
Net Cash Provided by Operating Activities	38,712	400,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of term deposits	(397,000)	-
Proceeds from maturities and calls of term deposits	297,000	396,000
Purchases of securities available for sale	(417,172)	(87,418)
Proceeds from maturities and calls of securities available for sale	1,000,000	500,000
Principal repayments on securities available for sale	21,680	29,611
Proceeds from sales of securities available for sale	412,297	24,298
Purchases of securities held to maturity	(4,157,913)	(1,000,000)
Proceeds from maturities and calls of securities held to maturity	984,615	1,210,500
Principal repayments on securities held to maturity	187,710	271,796
Net increase in loans receivable	(5,721,473)	(1,082,697)
Additions to premises and equipment	(806,571)	(35,202)
Purchase of Federal Home Loan Bank of New York stock	(377,500)	(367,050)
Redemption of Federal Home Loan Bank of New York stock	304,200	510,150
Net Cash Provided by (Used in) Investing Activities	(8,670,127)	369,988
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	7,120,012	3,469,819
Proceeds of advances from the Federal Home Loan Bank of New York	68,400,000	87,900,000
Repayments of advances from the Federal Home Loan Bank of New York	(66,826,331)	(91,455,399)
Increase (decrease) in advance payments by borrowers for taxes and insurance	38,668	(4,014)
Dividends paid	-	(40,882)
Purchase of restricted stock	(199,900)	(355,778)
Net Cash (Used in) Provided by Financing Activities	8,532,449	(486,254)
Net (Decrease) Increase in Cash and Cash Equivalents	(98,966)	284,331
CASH AND CASH EQUIVALENTS – BEGINNING	2,600,509	2,316,178
CASH AND CASH EQUIVALENTS – ENDING	\$ 2,501,543	\$ 2,600,509
SUPPLEMENTARY CASH FLOWS INFORMATION		
Income taxes paid	\$ 52,774	\$ 483,797
Interest paid	\$ 3,121,450	\$ 2,560,487

See notes to consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The primary business of Lincoln Park Bancorp (the "Company") is the ownership and operation of Lincoln Park Savings Bank (the "Savings Bank"). The Savings Bank was founded in 1923 and is a New Jersey chartered institution primarily serving the counties of Morris and Passaic. The Savings Bank's business consists principally of obtaining deposits from the general public in our market area and using those funds to originate loans, primarily residential mortgage loans, and purchase securities.

Basis of Consolidated Financial Statement Presentation

The consolidated financial statements include the accounts of Lincoln Park Bancorp (the "Company") and its wholly owned subsidiary, Lincoln Park Savings Bank (the "Bank") and the Bank's wholly owned subsidiary LPS Investment Company. LPS Investment Company was recently formed as an operating subsidiary of the Bank for the purpose of investing in stocks, bonds, mortgages, and other securities, limited to the types of securities in which the Bank is authorized to invest. The Company's business is conducted principally through the Bank. All significant inter-company accounts and transactions have been eliminated in consolidation.

The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the statements of financial condition and revenues and expenses for the periods then ended. Actual results could differ significantly from those estimates. A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses. Management believes that the allowance for loan losses appropriately reflects loan losses which are probable and estimable at each period reported. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions in the market area.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Savings Bank's allowance for loan losses. Such agencies may require the Savings Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts due from depository institutions and interest-bearing deposits having original maturities of three months or less.

Securities Available for Sale and Held to Maturity

Investments in debt securities over which there exists a positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized holding gains and losses included in earnings. The Company holds no trading securities.

Debt and equity securities not classified as trading securities nor as held-to-maturity securities are classified as available for sale securities and reported at fair value, with unrealized holding gains or losses, net of applicable deferred income taxes, reported in the accumulated other comprehensive income (loss) component of stockholders' equity.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities Available for Sale and Held to Maturity (Continued)

On a quarterly basis, the Company makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than temporary are written down to fair value with the write-down recorded as a realized loss.

Premiums and discounts on all securities are amortized/accreted to maturity using the interest method. Interest and dividend income on securities, which includes amortization of premiums and accretion of discounts, is recognized in the financial statements when earned. Gains or losses on sales are recognized based on the specific identification method.

Loans Receivable

Loans receivable are carried at unpaid principal balances plus net deferred loan origination costs, less the allowance for loan losses. Interest with respect to loans other than nonaccrual loans is accrued on the principal amount outstanding and credited to interest income as earned using the interest method. Loan origination fees and certain direct loan origination costs are deferred and amortized to interest income as an adjustment of yield over the contractual lives of the related loans. Recognition of interest by the accrual method is generally discontinued when interest or principal payments are ninety days or more in arrears on a contractual basis, or when other factors indicate that the collection of such amounts is doubtful. At the time a loan is placed on nonaccrual status, an allowance for uncollected interest is recorded in the current period for previously accrued and uncollected interest. Interest on such loans, if appropriate, is recognized as income when payments are received. A loan is returned to accrual status when interest or principal payments are no longer ninety days or more in arrears on a contractual basis and factors indicating doubtful collectibility no longer exist.

Allowance for Loan Losses

An allowance for loan losses is maintained at a level considered necessary to absorb loan losses inherent in the loan portfolio. The allowance is decreased by loan charge-offs, increased by subsequent recoveries of loans previously charged off, and then adjusted, via either a charge or credit to operations, to an amount determined by management to be necessary. Loans, or portions thereof, are charged off when, after collection efforts are exhausted, they are determined to be uncollectible. Management of the Savings Bank, in determining the allowance for loan losses, considers the losses inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the general economic and real estate market conditions. The Savings Bank utilizes a two tier approach: (1) identification of impaired loans and establishment of specific loss allowances on such loans; and (2) establishment of general valuation allowances on the remainder of its loan portfolio. The Savings Bank maintains a loan review system which allows for a periodic review of its loan portfolio and the early identification of potential impaired loans. Such system takes into consideration, among other things, delinquency status, size of loans, types of collateral and financial condition of the borrowers.

Specific loan loss allowances are established for identified loans based on a review of such information and/or appraisals of the underlying collateral. General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management's judgment. Although management believes that necessary specific and general

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

allowances for loan losses are established, actual losses are dependent upon future events and, as such, further additions to the level of specific and general loan loss allowances may be necessary.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. A loan evaluated for impairment is deemed to be impaired when, based on current information and events, it is probable that the Savings Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated independently. The Savings Bank does not aggregate such loans for evaluation purposes. Payments received on impaired loans are applied first to accrued interest receivable and then to principal. The Savings Bank did not have, during the periods covered in the consolidated financial statements, any loans deemed to be impaired.

Goodwill

Goodwill at December 31, 2007, totaled \$52,500 and consists of goodwill acquired in the branch acquisition completed by the Company in July 2007. The Company plans to test goodwill during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist. The Company plans to utilize a two-step approach. The first step requires a comparison of the carrying value of the reporting unit to the fair value of the unit. The Company will estimate the fair value of the reporting unit through internal analyses and/or external valuation, which utilizes an income approach based on the present value of future cash flows. If the carrying value of the reporting unit exceeds its fair value, the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of the reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Concentration of Risk

The Savings Bank's lending activity is concentrated in loans secured by real estate located in the State of New Jersey.

Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment

Land is carried at cost. Building, building improvements and furniture, fixtures and equipment are carried at cost, less accumulated depreciation. Depreciation charges are computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	30 - 50
Building improvements	5 - 25
Furniture, fixtures and equipment	3 - 7

Significant renovations and additions are charged to the property and equipment account. Maintenance and repairs are charged to expense in the period incurred.

Interest-Rate Risk

The Savings Bank is principally engaged in the business of attracting deposits from the general public and using these deposits, together with other funds, to make loans secured by real estate and to purchase securities.

The potential for interest-rate risk exists as a result of the generally shorter duration of the Savings Bank's interest-sensitive liabilities compared to the generally longer duration of its interest-sensitive assets. In a rising rate environment, liabilities will reprice faster than assets, thereby reducing net interest income. For this reason, management regularly monitors the maturity structure of the Savings Bank's interest-earning assets and interest-bearing liabilities in order to measure its level of interest-rate risk and to plan for future volatility.

Advertising Costs

The Company follows the policy of charging the costs of advertising to expense as incurred.

Income Taxes

The Company and the Savings Bank file a consolidated federal income tax return. Income taxes will be allocated based on the contribution of income to the consolidated income tax return. Separate state income tax returns will be filed.

Federal and state income taxes have been provided on the basis of reported income. The amounts reflected on the tax returns differ from these provisions due principally to temporary differences in the reporting of certain items for financial reporting and income tax reporting purposes. The tax effect of these temporary differences is accounted for as deferred taxes applicable to future periods. Deferred income tax expense or benefit is determined by recognizing deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The realization of deferred tax assets is assessed and a valuation allowance provided, when necessary, for that portion of the asset which is not likely to be realized.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management believes, based upon current facts, that it is more likely than not that there will be sufficient taxable income in future years to realize all deferred tax assets.

Stock-Based Compensation Plans

The Company has two stock-related compensation plans, including stock option and restricted stock plans. Through December 31, 2005, the Company accounted for its stock option and employee stock purchase plans using the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related interpretations for these plans. Under APB No. 25, generally, when the exercise price of the Company's stock options equaled the market price of the underlying stock on the date of the grant, no compensation expense was recognized. The Company adopted SFAS No. 123R, using the modified-prospective transition method, beginning on January 1, 2006 and, therefore, began to expense the fair value of all options over their remaining vesting periods to the extent the options were not fully vested as of the adoption date and began to expense the fair value of all share-based compensation granted subsequent to December 31, 2005, over its requisite service periods.

SFAS No. 123R also requires the benefits of realized tax deductions in excess of previously recognized tax benefits on compensation expense to be reported as a financing cash flow rather than an operating cash flow, as previously required. In accordance with Staff Accounting Bulletin ("SAB") No. 107, the Company classified share-based compensation for employees to correspond with the same line item as the cash compensation paid to employees, and share based compensation to directors to correspond with miscellaneous non-interest expenses.

Options vest over a five year period for directors and a seven year period for officers. Compensation expense recognized for all options is recognized over the awards' respective requisite service periods. The fair values relating to all options granted were estimated using the Black-Scholes option pricing model. Expected volatilities are based on historical volatility of our stock and other factors, such as implied market volatility. We used historical exercise data based on the age at grant of the option holder to estimate the options' expected term, which represents the period of time that the options granted are expected to be outstanding. We anticipated the future option holding periods to be similar to the historical option holding periods. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. We recognize compensation expense for the fair values of these awards, which have graded vesting, on a straight-line basis over the requisite service period of the awards.

Restricted shares vest over a five year period for directors and a seven year period for officers. The fair value of restricted shares under the Company's restricted stock plans is determined by the product of the number of shares granted and the grant date market price of the Company's common stock. The fair value of restricted shares is expensed on a straight-line basis over the requisite service period of the awards.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Comprehensive Income

The Company records in accumulated comprehensive income (loss), net of related deferred income taxes, unrealized gains and losses on available for sale securities and the prior service cost of the Directors Retirement Plan ("DRP") that has not yet been recognized in expense. Realized gains and losses, if any, are reclassified to non-interest income upon the sale of the related securities or upon the recognition of a security impairment loss. A portion of the prior service cost of the DRP is recorded in expense annually.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the consolidated statement of financial condition when they are funded.

Net Income per Common Share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the year, adjusted for unearned shares of the ESOP. Diluted income per share is calculated by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding decreased by the number of common shares that are assumed to be repurchased with the proceeds from the exercise of the common stock equivalents (treasury stock method) along with the assumed tax benefit from the exercise of non-qualified options.

These purchases were assumed to have been made at the average market price of the common stock. The following table shows the calculation of both basic and diluted earnings per share.

	Years Ended December 31,	
	2007	2006
Net Income.....	<u>\$ 60,038</u>	<u>\$ 313,992</u>
Basic weighted average shares outstanding.....	1,784,454	1,792,115
Plus: Common stock equivalents.....	<u>458</u>	<u>2,533</u>
Diluted weighted average number of shares outstanding...	<u>1,784,912</u>	<u>1,794,648</u>
Earnings per share:		
Basic.....	<u>\$ 0.03</u>	<u>\$ 0.18</u>
Diluted.....	<u>\$ 0.03</u>	<u>\$ 0.17</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – BRANCH ACQUISITION

On July 16, 2007, the Savings Bank acquired the Montville, New Jersey branch location of another New Jersey savings institution. The Savings Bank acquired the building and furnishings and deposits of the location which totaled approximately \$756,000 and \$3,501,000, respectively. In connection with the acquisition, the Savings Bank recorded \$52,500 in goodwill.

NOTE 3 - TERM DEPOSITS

	December 31,	
	2007	2006
Due within one year	\$ 295,347	\$ 99,000
Due after one through five years	-	90,771
	<u>\$ 295,347</u>	<u>\$ 189,771</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - SECURITIES AVAILABLE FOR SALE

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
U.S. Government Agencies:				
Due after five through ten years	\$ 500,000	\$ -	\$ 470	\$ 499,530
Due after ten years	500,000	45	-	500,045
	<u>1,000,000</u>	<u>45</u>	<u>470</u>	<u>999,575</u>
Equity securities	521,331	22,169	83,682	459,818
Mortgage-backed securities:				
Due after ten years	61,296	522	61	61,757
	<u>\$ 1,582,627</u>	<u>\$ 22,736</u>	<u>\$ 84,213</u>	<u>\$ 1,521,150</u>
	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
U.S. Government Agencies:				
Due after one through five years	\$ 500,000	\$ -	\$ 5,000	\$ 495,000
Due after five through ten years	500,000	-	15,000	485,000
Due after ten years	1,000,000	-	18,000	982,000
	2,000,000	-	38,000	1,962,000
Equity securities	151,189	30,157	619	180,727
Mortgage-backed securities:				
Due after ten years	82,730	900	-	83,630
Municipal bonds:				
Due after one through five years	250,671	-	920	249,751
Due after five through ten years	100,000	-	2,480	97,520
	<u>350,671</u>	<u>-</u>	<u>3,400</u>	<u>347,271</u>
	<u>\$ 2,584,590</u>	<u>\$ 31,057</u>	<u>\$ 42,019</u>	<u>\$ 2,573,628</u>

At December 31, 2007 and 2006, all mortgage-backed securities held in the available for sale portfolio were issued by the Government National Mortgage Association ("GNMA").

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - SECURITIES AVAILABLE FOR SALE (CONTINUED)

The age of unrealized losses and the fair value of related securities available for sale are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2007:						
U.S. Government Agencies	\$ -	\$ -	\$ 499,530	\$ 470	\$ 499,530	\$ 470
Equity securities	334,860	83,325	4,510	357	339,370	83,682
Mortgage-backed Securities	15,312	61	-	-	15,312	61
	<u>\$ 350,172</u>	<u>\$ 83,386</u>	<u>\$ 504,040</u>	<u>\$ 827</u>	<u>\$ 854,212</u>	<u>\$ 84,213</u>
December 31, 2006:						
U.S. Government Agencies	\$ -	\$ -	\$ 1,962,025	\$ 38,000	\$ 1,962,025	\$ 38,000
Equity securities	-	-	9,112	619	9,112	619
Mortgage-backed Securities	-	-	-	-	-	-
Municipal bonds	249,748	920	97,515	2,480	347,263	3,400
	<u>\$ 249,748</u>	<u>\$ 920</u>	<u>\$ 2,068,652</u>	<u>\$ 41,099</u>	<u>\$ 2,318,400</u>	<u>\$ 42,019</u>

Management does not believe that any individual unrealized loss at December 31, 2007 and 2006, represents an other-than-temporary impairment. The unrealized losses at December 31, 2007 are related to one security issued by a U.S. government agency, one mortgage-backed security, and sixteen equity securities, and are due to changes in market conditions. Management has the intent and the Company has the ability to hold the securities reflected in the above table for a time necessary to recover amortized cost.

During the year ended December 31, 2007, sales of securities available for sale amounted to \$412,000. The realized gain on securities available for sale was \$9,154, net of deferred income taxes of \$6,102. During the year ended December 31, 2006, sales of securities available for sale amounted to \$24,298. The realized gain on securities available for sale was \$5,761, net of deferred income taxes of \$3,851.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - SECURITIES HELD TO MATURITY

	December 31, 2007			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies:				
Due after one through five years	\$ 1,500,000	\$ 340	\$ -	\$ 1,500,340
Due after five years through ten years	4,265,385	1,790	2,924	4,264,251
Due after ten years	8,983,716	18,340	7,707	8,994,349
	<u>14,749,101</u>	<u>20,470</u>	<u>10,631</u>	<u>14,758,940</u>
Corporate bonds:				
Due within one year	99,659	1,222	-	100,881
Due after one year through five years	254,398	-	24,398	230,000
Due after five years through ten years	450,000	727	-	450,727
Due after ten years	250,000	-	1,673	248,327
	<u>1,054,057</u>	<u>1,949</u>	<u>26,071</u>	<u>1,029,935</u>
Mortgage-backed securities:				
Due within one year	276	6	-	282
Due after one year through five years	270	7	-	277
Due after five through ten years	12,046	323	-	12,369
Due after ten years	783,823	6,243	14,016	776,050
	<u>796,415</u>	<u>6,579</u>	<u>14,016</u>	<u>788,978</u>
Municipal bonds:				
Due after five through ten years	185,000	4,005	-	189,005
Due after ten years	380,680	3,007	2,106	381,581
	<u>565,680</u>	<u>7,012</u>	<u>2,106</u>	<u>570,586</u>
Collateralized Mortgage Obligations				
Less than one year	-	-	-	-
Due after one through five years	-	-	-	-
Due after five through ten years	-	-	-	-
Due after ten years	4,077,361	4,511	116,888	3,964,984
	<u>4,077,361</u>	<u>4,511</u>	<u>116,888</u>	<u>3,964,984</u>
	<u>\$ 21,242,614</u>	<u>\$ 40,521</u>	<u>\$ 169,712</u>	<u>\$ 21,113,423</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - SECURITIES HELD TO MATURITY (CONTINUED)

	December 31, 2006			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Agencies:				
Due after one year through five years	\$ 500,000	\$ -	\$ 8,505	\$ 491,495
Due after five years through ten years	4,350,000	-	79,492	4,270,508
Due after ten years	<u>10,782,757</u>	<u>2,544</u>	<u>308,050</u>	<u>10,477,251</u>
	<u>15,632,757</u>	<u>2,544</u>	<u>396,047</u>	<u>15,239,254</u>
Corporate bonds:				
Due within one year	100,000	-	22	99,978
Due after one year through five years	354,923	1,793	13,150	343,566
Due after five years through ten years	200,000	-	14,000	186,000
Due after ten years	<u>500,000</u>	<u>-</u>	<u>13,653</u>	<u>486,347</u>
	<u>1,154,923</u>	<u>1,793</u>	<u>40,825</u>	<u>1,115,891</u>
Mortgage-backed securities:				
Due within one year	149	4	-	153
Due after one year through five years	2,244	47	-	2,291
Due after five years through ten years	4,592	132	-	4,724
Due after ten years	<u>974,520</u>	<u>5,854</u>	<u>21,258</u>	<u>959,116</u>
	<u>981,505</u>	<u>6,037</u>	<u>21,258</u>	<u>966,284</u>
Municipal bonds:				
Due after ten years	<u>565,730</u>	<u>6,003</u>	<u>3,149</u>	<u>568,584</u>
	<u>\$ 18,334,915</u>	<u>\$ 16,377</u>	<u>\$ 461,279</u>	<u>\$ 17,890,013</u>

At December 31, 2007 and 2006, all mortgage-backed securities in the held to maturity portfolio were issued by GNMA, the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC").

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - SECURITIES HELD TO MATURITY (CONTINUED)

The age of unrealized losses and the fair value of related securities held to maturity are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2007:						
U.S. Government Agencies	\$ -	\$ -	\$ 3,494,991	\$ 10,631	\$ 3,494,991	\$ 10,631
Collateralized Mortgage Obligations	2,444,424	116,888	-	-	2,444,424	116,888
Corporate bonds	-	-	478,328	26,071	478,328	26,071
Mortgage-backed Securities	-	-	298,955	14,016	298,955	14,016
Municipal bonds	99,007	993	98,887	1,113	197,894	2,106
	<u>\$ 2,543,431</u>	<u>\$ 117,881</u>	<u>\$ 4,371,161</u>	<u>\$ 51,831</u>	<u>\$ 6,914,592</u>	<u>\$ 169,712</u>
December 31, 2006:						
U.S. Government Agencies	\$ 990,310	\$ 9,690	\$ 14,011,309	\$ 386,357	\$ 15,001,619	\$ 396,047
Corporate bonds	99,978	22	914,848	40,803	1,014,826	40,825
Mortgage-backed securities	-	-	408,650	21,258	408,650	21,258
Municipal bonds	-	-	96,851	3,149	96,851	3,149
	<u>\$ 1,090,288</u>	<u>\$ 9,712</u>	<u>\$ 15,431,658</u>	<u>\$ 451,567</u>	<u>\$ 16,521,946</u>	<u>\$ 461,279</u>

Management does not believe that any individual unrealized loss at December 31, 2007 and 2006, represents an other-than-temporary impairment. At December 31, 2007, the unrealized losses on securities other than corporate bonds are related to six securities issued by U.S. government agencies, two securities issued by a municipal government, two mortgage-backed securities, and eighteen collateralized mortgage obligations. The unrealized losses on corporate bonds at December 31, 2007 relate to two investment grade securities having a weighted average coupon rate of 5.61% and a weighted average maturity of approximately seven years. Management believes that all unrealized losses are due to changes in interest rates. Management has the intent and the Company has the ability to hold the securities reflected in the above table for a time necessary to recover amortized cost. There were no sales of securities held to maturity during the year ended December 31, 2007 and 2006. Securities held to maturity with a carrying value of \$39,000 and 41,000 at December 31, 2007 and 2006, respectively, were pledged to secure public funds on deposits.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LOANS RECEIVABLE

	December 31,	
	2007	2006
Real estate mortgage:		
One-to-four family	\$ 46,583,577	\$ 43,658,682
Multi-family	841,289	857,315
Commercial	1,721,082	1,913,269
Land	387,655	436,965
	<u>49,533,603</u>	<u>46,866,231</u>
Commercial business	<u>665,763</u>	<u>-</u>
Consumer:		
Passbook or certificate	51,351	59,309
Home equity line of credit	4,748,645	5,304,328
Home equity	17,642,350	14,489,090
Automobile	155,016	217,771
Personal secured	123,113	394,025
Personal unsecured	174,885	87,734
Overdraft line of credit	23,993	26,744
	<u>22,919,353</u>	<u>20,579,001</u>
Total Loans	<u>73,118,719</u>	<u>67,445,233</u>
Deferred loan costs, net	153,133	141,588
Allowance for loan losses	<u>(187,000)</u>	<u>(136,000)</u>
	<u>(33,867)</u>	<u>5,588</u>
	<u>\$ 73,084,852</u>	<u>\$ 67,450,821</u>

Nonaccrual loans totaled approximately \$431,000 and \$158,000 at December 31, 2007 and 2006, respectively. Interest income recognized on these loans for the years ended December 31, 2007 and 2006, was approximately \$10,000 and \$15,000, respectively. Had these loans been performing in accordance with their original terms, interest income for the years ended December 31, 2007 and 2006, would have been approximately \$24,000 and \$17,000, respectively. The Savings Bank is not committed to lend additional funds to the borrowers whose loans have been placed on nonaccrual status.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LOANS RECEIVABLE (CONTINUED)

The Savings Bank grants loans to its officers and directors and to their associates. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectibility. The activity, with respect to loans to directors, officers and associates of such persons, is as follows:

	<u>Years Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(In Thousands)	
Balance - beginning	\$ 2,877	\$ 3,575
Loans originated	1,054	257
Collections of principal	(671)	(360)
Loans to persons no longer associated	-	(595)
	<u>3,260</u>	<u>2,877</u>
Balance - ending	<u>\$ 3,260</u>	<u>\$ 2,877</u>

The following is an analysis of the allowance for loan losses:

	<u>Years Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Balance - beginning	\$ 136,000	\$ 158,000
Provision charged (recovery credited) to operations	51,401	(22,384)
Loans charged off	(401)	(116)
	<u>187,000</u>	<u>136,000</u>
Balance - ending	<u>\$ 187,000</u>	<u>\$ 136,000</u>

NOTE 7 - PREMISES AND EQUIPMENT

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 745,224	\$ 82,881
Buildings and improvements	1,440,622	1,346,746
Accumulated depreciation	(725,587)	(692,323)
	<u>715,035</u>	<u>654,423</u>
Furniture, fixtures and equipment	834,001	783,648
Accumulated depreciation	(709,823)	(669,595)
	<u>124,178</u>	<u>114,053</u>
	<u>\$ 1,584,437</u>	<u>\$ 851,357</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - INTEREST RECEIVABLE

	December 31,	
	2007	2006
Loans, net of allowance for uncollectible interest 2007 \$22,400 2006 \$9,500	\$322,427	\$298,779
Securities	199,956	190,613
Other interest-earning assets	152	103
	<u>\$522,535</u>	<u>\$489,495</u>

NOTE 9 - DEPOSITS

	December 31,			
	2007		2006	
	Weighted Average Rate	Amount	Weighted Average Rate	Amount
Demand:				
Non-interest bearing	0.00	% \$ 2,054,395	0.00	% \$ 768,473
NOW and money market	2.24	<u>12,112,535</u>	2.13	<u>11,087,471</u>
	1.76	14,166,930	1.99	11,855,944
Savings and club	1.01	11,616,644	1.01	13,182,249
Certificates of deposit	4.69	<u>39,183,124</u>	4.62	<u>32,805,701</u>
	3.50	% \$ 64,966,698	3.26	% \$ 57,843,894

At December 31, 2007 and 2006, certificates of deposit of \$100,000 or more totaled approximately \$9,999,000 and \$7,365,000, respectively. Individual deposits in excess of \$100,000 may not be insured by the Federal Deposit Insurance Corporation.

The scheduled maturities of certificates of deposit were as follows (in thousands):

	December 31,	
	2007	2006
One year or less	\$36,124	\$28,347
After one year to three years	2,807	4,130
After three years	252	329
	<u>\$39,183</u>	<u>\$32,806</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ADVANCES FROM FEDERAL HOME LOAN BANK OF NEW YORK ("FHLB")

	December 31,			
	2007		2006	
	Weighted Average Rate	Amount	Weighted Average Rate	Amount
Within one year	4.08	% \$ 13,120,057	5.12	% \$ 6,500,000
After one but within two years	3.69	2,823,285	3.75	8,580,694
After two but within three years	4.19	400,313	3.47	2,948,251
After three but within four years	4.24	1,215,869	4.19	568,418
After four but within five years	4.59	4,291,146	4.24	1,515,000
After five but within six years	4.03	781,368	-	-
After six but within seven years	-	-	4.03	899,364
After seven but within eight years	-	-	-	-
After eight years	5.31	919,963	5.31	966,605
	4.18	% \$ 23,552,000	4.24	% \$ 21,978,331

At December 31, 2007, none of the above advances were subject to early call or redemption features.

At December 31, 2007 and 2006, the advances were secured by a pledge of the Savings Bank's investment in the capital stock of the FHLB and a blanket assignment of the Savings Bank's unpledged qualifying mortgage loans in the amount of \$37.8 million. At December 31, 2007, \$14.5 million in additional borrowings are still available from the FHLB.

NOTE 11 - REGULATORY CAPITAL

The Savings Bank is subject to various regulatory capital requirements administered by the various banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Savings Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Savings Bank must meet specific capital guidelines that involve quantitative measures of the Savings Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Savings Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - REGULATORY CAPITAL (CONTINUED)

Quantitative measures established by regulation to ensure capital adequacy require the Savings Bank to maintain minimum amounts and ratios of Total risk-based capital and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted total assets (as defined). The following tables present a reconciliation of capital per GAAP and regulatory capital and information as to the Savings Bank's capital levels.

	December 31,	
	2007	2006
	(In Thousands)	
GAAP capital	\$9,499	\$9,393
Unrealized loss on securities available for sale	-	24
Other comprehensive loss - DRP	149	158
Goodwill	(52)	-
Unrealized loss on equity securities	(16)	-
Core and tangible capital	9,580	9,575
General valuation allowance	187	136
Total Regulatory Capital	\$9,767	\$9,711

	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of December 31, 2007						
Total risk-based capital (to risk-weighted assets)	\$9,767	17.55 %	\$24,451	≥8.0 %	\$25,564	≥10.0 %
Tier 1 capital (to risk-weighted assets)	9,580	17.22	≥2,226	≥4.0	≥3,338	≥ 6.0
Tier 1 capital (to average assets)	9,580	9.60	≥3,994	≥4.0	≥4,992	≥ 5.0
As of December 31, 2006						
Total risk-based capital (to risk-weighted assets)	\$9,711	19.33 %	\$24,019	≥8.0 %	\$25,024	≥10.0 %
Tier 1 capital (to risk-weighted assets)	9,575	19.06	≥2,010	≥4.0	≥3,015	≥ 6.0
Tier 1 capital (to average assets)	9,575	10.37	≥3,692	≥4.0	≥4,615	≥ 5.0

As of August 28, 2006, the most recent notification from its regulators, the Savings Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions existing or events which have occurred since notification that management believes have changed the institution's category.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - INCOME TAXES

The Savings Bank qualifies as a thrift institution under the provisions of the Internal Revenue Code and, therefore, must calculate its bad debt deduction using either the experience or the specific charge off method. Retained earnings at December 31, 2007 and 2006, includes approximately \$730,000 of such bad debt, for which income taxes have not been provided. If such amount is used for purposes other than for bad debt losses, including distributions in liquidation, it will be subject to income tax at the then current rate.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." The Interpretation provides clarification on accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB No. 109, "Accounting for Income Taxes." The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the Company's evaluation of the implementation of FIN 48, no significant income tax uncertainties were identified. Therefore, the Company recognized no adjustment for unrecognized income tax benefits for the year ended December 31, 2007. Our policy is to recognize interest and penalties on unrecognized tax benefits in income taxes expense in the Consolidated Statement of Income. The Company did not recognize any interest and penalties for the year ended December 31, 2007. The tax years subject to examination by the taxing authorities are the years ended December 31, 2006, 2005, 2004 and 2003.

In May 2007, the FASB issued FASB Staff Position ("FSP") FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48" ("FSP FIN 48-1"). FSP FIN 48-1 provides guidance on how to determine whether a tax position is effectively settled for purposes of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective retroactively to January 1, 2007. The implementation of this standard did not have a material impact on our consolidated financial position or results of operations.

The components of income taxes are summarized as follows:

	Years Ended December 31,	
	2007	2006
Current income tax expense:		
Federal	\$34,437	\$169,485
State	6,705	45,406
	<u>41,142</u>	<u>214,891</u>
Deferred income tax expense (benefit):		
Federal	(30,085)	(19,486)
State	(9,156)	(6,242)
	<u>(39,241)</u>	<u>(25,728)</u>
	<u>\$1,901</u>	<u>\$189,163</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - INCOME TAXES (CONTINUED)

The tax effects of existing temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are as follows:

	December 31,	
	2007	2006
Deferred income tax assets:		
Allowance for loan losses	\$70,960	\$62,566
Deferred loan fees and costs	1,139	1,497
Unrealized loss on securities available for sale	-	4,404
Benefit plans	38,032	23,087
Stock compensation plans	27,520	19,009
DRP – other comprehensive loss	99,116	105,390
	<u>236,767</u>	<u>215,953</u>
Deferred income tax liabilities:		
Depreciation	66,850	72,622
Capitalized interest	7,232	9,795
Unrealized gain on securities available for sale	14	-
Goodwill	586	-
	<u>74,682</u>	<u>82,417</u>
Net Deferred Tax Assets Included in Other Assets	<u>\$162,085</u>	<u>\$133,536</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - INCOME TAXES (CONTINUED)

The following table presents a reconciliation between the reported income taxes and the income taxes which would be computed by applying the normal federal income tax rate of 34% to income before income taxes:

	Years Ended December 31,	
	2007	2006
Federal income tax expense	\$21,059	\$171,073
Increases (reductions) in income taxes resulting from:		
New Jersey corporate business tax, net of federal income tax effect	(1,617)	25,848
Tax exempt income	(7,451)	(9,364)
Surtax	(11,750)	-
Other items, net	1,660	1,606
Effective Income Tax	\$1,901	\$189,163
Effective income tax rate	3.07%	37.6%

NOTE 13 - BENEFIT PLANS

ESOP

Effective upon the consummation of the Savings Bank's reorganization, an ESOP was established for all eligible employees who had completed a twelve-month period of employment with the Savings Bank and at least 1,000 hours of service and had attained the age of 21. The ESOP used \$387,193 in proceeds from a term loan obtained from the Company to purchase 34,068 shares of Company common stock. The term loan principal is payable over twenty equal annual installments through December 31, 2024. Interest on the term loan is at a rate per annum equal to prime. Each year, the Savings Bank intends to make discretionary contributions to the ESOP which will be equal to principal and interest payments required on the term loan. The loan is further paid down by the amount of dividends paid, if any, on the common stock owned by the ESOP.

Shares purchased with the loan proceeds are initially pledged as collateral for the term loan and are held in a suspense account for future allocation among participants. Contributions to the ESOP and shares released from the suspense account will be allocated among the participants on the basis of compensation, as described by the Plan, in the year of allocation.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - BENEFIT PLANS (CONTINUED)

ESOP (Continued)

The ESOP is accounted for in accordance with Statement of Position 93-6 "Accounting for Employee Stock Ownership Plans," which was issued by the American Institute of Certified Public Accountants. Accordingly, the ESOP shares pledged as collateral are reported as unearned ESOP shares in the consolidated statements of financial condition. As shares are committed to be released from collateral, the Savings Bank reports compensation expense equal to the current market price of the shares, and the shares become outstanding for basic net income per common share computations. ESOP compensation expense was \$14,090 and \$16,131 for the years ended December 31, 2007 and 2006, respectively.

The ESOP shares were as follows:

	December 31,	
	2007	2006
Shares committed to be released	5,253	3,549
Unreleased shares	28,815	30,519
Total ESOP Shares	34,068	34,068
Fair value of unreleased shares	\$172,890	\$286,879

Stock-Based Incentive Plan

The Company's shareholders approved the Stock-Based Incentive Plan at a special shareholders meeting held on December 22, 2005. The types of awards that may be granted under the Plan are Stock Options and Restricted Stock Awards.

Restricted Stock Awards

Restricted Stock Awards under the Stock-Based Incentive Plan are granted in the form of whole shares of Company common stock, and vest in five annual installments (20% annually from date of grant) to outside directors, and seven annual installments (14.3% annually from date of grant) to officers. The Restricted Stock awards become fully vested upon the death or disability of the holder.

The following is a summary of the status of the Company's restricted shares for the years ended December 31, 2007 and 2006.

	Directors		Employees		Total Restricted Shares
	Restricted shares	Weighted Average Grant Date Fair Value	Restricted shares	Weighted Average Grant Date Fair Value	
Non-vested as of December 31, 2005	13,605	\$ 8.90	5,100	\$ 8.90	18,705
Granted during 2006	-	-	3,000	9.12	3,000
Forfeited during 2006	-	-	(1,500)	8.90	(1,500)
Vested during 2006	(2,725)	8.90	(590)	9.00	(3,315)
Non-vested as of December 31, 2006	10,880	8.90	6,010	9.00	16,890
Granted during 2007	-	-	3,000	7.00	3,000
Forfeited during 2007	-	-	-	-	-
Vested during 2007	(2,720)	8.90	(1,384)	8.37	(4,104)
Non-vested as of December 31, 2007	8,160	\$ 8.90	7,626	\$ 8.33	15,786

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - BENEFIT PLANS (CONTINUED)

Restricted Stock Awards (Continued)

At December 31, 2007, expected future compensation to be amortized from restricted stock awards was \$143,000.

Stock Options

Stock Options granted under the Stock-Based Incentive Plan may be either options that qualify as incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, or non-statutory options. Options granted to outside directors and officers will be exercisable on a cumulative basis in equal installments over 5 years for outside directors and 7 years for officers commencing one year after the grant date. All options granted become fully vested upon the death or disability of the holder. All options expire ten years from the grant date.

A summary of stock option activity and related information is as follows:

	<u>Number of Option Shares</u>	<u>Range of Exercise Price</u>	<u>Weighted Average Exercise Price</u>
December 31, 2005	66,520	\$ 8.90	\$ 8.90
Options granted	7,500	\$ 9.00	\$ 9.00
Options exercised	-	-	-
Options cancelled	(10,000)	\$ 8.90	\$ 8.90
December 31, 2006	<u>64,020</u>	<u>\$ 8.90 - \$ 9.00</u>	<u>\$ 8.91</u>
Options granted	3,000	\$ 7.00	\$ 7.00
Options exercised	-	-	-
Options cancelled	-	-	-
December 31, 2007	<u>67,020</u>	<u>\$ 7.00 - \$ 9.00</u>	<u>\$ 8.83</u>

During the years ended December 31, 2007 and 2006, The Company recorded \$36,927 and \$33,959, respectively of stock option expense.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - BENEFIT PLANS (CONTINUED)

Stock Options (Continued)

The weighted average grant date fair value of the options granted during the years ended December 31, 2007 and 2006 was \$2.49 and \$3.06 respectively, following the underlying assumptions.

	December 31,	
	2007	2006
Weighted average grant-date fair value per share	\$2.49	\$3.06
Expected common stock dividend yield	- %	- %
Expected volatility	24.62%	19.28%
Expected option life	7.0 years	7.0 years
Risk-free interest rate	3.67%	4.52%

The expected volatility was based on historical volatility. The risk-free interest rates for periods within the contractual life of the awards were based on the U.S. Treasury yield curve in effect at the time of the grant.

The expected life was based on historical exercise experiences. The dividend yield assumption was based on the Bank's expectation of dividend payouts.

A summary of the status of the Company's non-vested options as of December 31, 2006, and the changes during the twelve months ended December 31, 2007 is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2006	54,002	\$3.34
Granted.....	3,000	\$2.49
Vested.....	(11,090)	\$3.35
Non-vested at December 31, 2007	<u>45,912</u>	\$3.28

Expected future compensation expense relating to the 45,912 non-vested options outstanding at December 31, 2007 is \$147,574, over a weighted average period of 8.2 years. The total fair value of shares vested during the year ended December 31, 2007 was \$66,534.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - BENEFIT PLANS (CONTINUED)

Stock Options (Continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2007.

Year	Options Outstanding				Options Exercisable		
	Number Outstanding	Range of Exercise Price	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
2006	64,020	\$8.90-\$9.00	8.3	\$8.91	10,018	\$8.90	8
2007	<u>3,000</u>	<u>\$7.00</u>	<u>10</u>	<u>\$7.00</u>	<u>11,090</u>	<u>\$8.91</u>	<u>8.2</u>
	<u>67,020</u>	<u>\$7.00-\$9.00</u>	<u>8.2</u>	<u>\$8.83</u>	<u>21,108</u>	<u>\$8.91</u>	<u>8.2</u>

At December 31, 2007, the intrinsic value of stock options outstanding and stock options exercisable amounted to \$0 and \$0, respectively. At and for the year ended December 31, 2007, there were 21,108 stock options outstanding that would have an anti-dilutive effect on outstanding shares if exercised.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – BENEFIT PLANS (CONTINUED)

Director Retirement Plan (“DRP”)

Effective March 1, 2006, the Savings Bank implemented the DRP. This plan is a non-contributory defined benefit pension plan covering all the directors meeting eligibility requirements as specified in the plan document. The DRP is accounted for under SFAS 132 and SFAS 158. The following table sets forth the funded status of the DRP at December 31, 2007 and December 31, 2006, and components of net periodic expense for the year then ended:

	December 31,	
	2007	2006
Benefit Obligation - beginning	\$ 318,976	\$ -
Plan amendments (Plan inception)	-	304,672
Service cost	9,764	16,937
Interest cost	19,536	14,600
Actuarial loss (gain)	13,027	(17,233)
Benefit Obligation - ending	\$ 361,303	\$ 318,976
Funded Status – Accrued liability included in other liabilities	\$ 361,303	\$ 318,976
Discount Rate	6.500%	6.125%
Net periods pension expense:		
Service Cost	\$ 9,764	\$ 16,937
Interest Cost	19,536	14,600
Amortization of unrecognized prior service liability	28,716	23,930
Total pension expense included in Other Non-Interest Expenses	\$ 58,016	\$ 55,467
Discount Rate	6.125%	5.75%

At December 31, 2007, \$247,787 (\$148,671 net of \$99,116 of related deferred income tax assets) and December 31, 2006, \$263,476 (\$158,086 net of \$105,390 of related deferred tax assets) in prior service cost reflected in the above table has been recorded in Accumulated Other Comprehensive Loss. Approximately \$28,716 of that amount is expected to be included in pension expense in 2008.

Benefit payments, which reflect expected future service as appropriate, are expected to be paid for the years ended December 31, as follows:

2008	\$ -
2009	6,577
2010	9,338
2011	11,784
2012	15,081
2013 – 2017	178,332
	<u>\$ 221,112</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - OTHER NON-INTEREST EXPENSES

	Years Ended December 31,	
	2007	2006
Directors' compensation	\$ 222,900	\$ 260,350
Legal	80,763	121,789
Auditing and accounting services	109,356	100,992
Stationery and printing	46,061	59,593
Other	282,690	234,707
	\$ 741,770	\$ 777,431

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Savings Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments primarily include commitments to extend credit. The Savings Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Savings Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Savings Bank's outstanding commitments were as follows:

	December 31,	
	2007	2006
	(In Thousands)	
To originate loans:		
Construction	\$350	-
Fixed rate mortgage	-	\$454
Adjustable rate mortgage	515	-
Home equity line	158	455
Consumer	3	-
To fund lines of credit:		
Home equity	8,835	8,690
Overdraft	84	77
To fund letters of credit	49	-

At December 31, 2007, fixed rate mortgage commitments were at interest rates of 5.74% to 6.125%; construction loan commitments were at an interest rate of 8.25%; adjustable rate mortgage commitments were at interest rates of 6.00% to 7.00%; and lines of credit commitments had initial rates ranging from 5.99% to prime minus 1.0%.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Undisbursed funds from approved lines of credit, unless they are specifically cancelled by notice to or from the Savings Bank, represent firm commitments available to the respective borrowers on demand. The interest rates charged on funds disbursed under the homeowners' equity lending program range from the prime rate minus 1.00% to 2.00% above the prime rate. Funds drawn on the unsecured credit reserve program are assessed interest at a rate of 16%.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. The Savings Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Savings Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but primarily includes residential real estate properties.

At December 31, 2007, the Savings Bank had issued two standby letters of credit to Montville Township in the amounts of \$22,600 and \$26,000. The letters were issued as a guarantee against possible future improvements required by the municipality with regard to the site plan waiver granted to the Bank for its Montville branch.

The Savings Bank also has, in the normal course of business, commitments for services and supplies. Management does not anticipate losses on any of these transactions.

The Company and the Savings Bank, from time to time, may be party to litigation which arises primarily in the ordinary course of business. In the opinion of management, the ultimate disposition of such litigation should not have a material effect on the consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Significant estimations were used for the purposes of this disclosure. Estimated fair values have been determined using the best available data and estimation methodology suitable for each category of financial instruments. Fair value estimates, methods and assumptions are set forth below for the financial instruments.

Cash and Cash Equivalents and Interest Receivable

The carrying amounts for cash and cash equivalents and interest receivable approximate fair value because they mature in three months or less.

Securities

The fair value of securities, both available for sale and held to maturity, are based on quoted market or dealer prices, if available. If quoted market or dealer prices are not available, fair value is estimated using quoted market prices for similar securities.

Loans Receivable

Fair value is estimated by discounting future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, of such loans.

Restricted Equity Securities

Federal law requires a member institution of the Federal Home Loan Bank system to hold restricted stock of the institution according to a predetermined formula. The restricted stock is carried at cost.

Deposits

The fair value of demand deposit, passbook and club accounts is equal to the amount payable on demand at the reporting date. The fair value of certificates of deposit is estimated using rates currently offered for deposits of similar remaining maturities. The fair value estimates do not include the benefit that results from the low-cost funding provided by deposit liabilities compared to the cost of borrowing funds in the market.

Term Deposits and Advances from Federal Home Loan Bank of New York

Fair value is estimated using rates currently offered for assets and liabilities of similar remaining maturities, or when available, quoted market prices.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

As of December 31, 2007 and 2006, the fair value of the commitments to extend credit were not considered to be material.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16- ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The carrying values and estimated fair values of financial instruments were as follows:

	December 31,			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Financial assets:				
Cash and cash equivalents	\$ 2,502	\$ 2,502	\$ 2,601	\$ 2,601
Term deposits	295	295	190	190
Securities available for sale	1,521	1,521	2,574	2,574
Securities held to maturity	21,243	21,113	18,335	17,890
Loans receivable, net	73,085	74,307	67,451	67,392
Federal Home Loan Bank of New York stock	1,195	1,195	1,121	1,121
Interest receivable	523	523	489	489
Financial liabilities:				
Deposits	64,967	60,936	57,844	57,897
Advances from the Federal Home Loan Bank of New York	23,552	23,772	21,978	22,017

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial instruments. Because no market exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

In addition, fair value estimates are based on existing on-and-off balance sheet financial instruments, without attempting to estimate the value of anticipated future business, and exclude the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial assets and liabilities include premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Finally, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies introduces a greater degree of subjectivity to these estimated fair values.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17- ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss included in stockholders' equity are as follows:

	December 31,	
	2007	2006
	(In Thousands)	
Net unrealized loss on securities available for sale	\$(61)	\$(11)
Tax effect	-	4
Net of tax amount	(61)	(7)
Pension amounts under SFAS No. 158	(248)	(263)
Tax effect	99	105
Net of tax amount	(149)	(158)
Accumulated other comprehensive loss	\$(210)	\$(165)

The components of other comprehensive income and their related tax effects are presented in the following table:

	Years Ended December 31,	
	2007	2006
	(In Thousands)	
Unrealized holding gains (losses) available for sale:		
Unrealized holding gains (losses) arising during the year	\$(35)	\$38
Reclassification adjustment for gains included in net income	(15)	(9)
Net unrealized gains (losses) on securities available for sale	(50)	29
Defined benefit pension plan:		
Pension gain	(13)	-
Prior service cost	28	-
Net change in defined benefit pension plan accrued expense	15	-
Other comprehensive income (loss) before taxes	(35)	29
Tax effect	(10)	12
Other comprehensive (loss) income	\$(45)	\$17

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18- PARENT ONLY FINANCIAL INFORMATION

The following are the condensed financial statements for Lincoln Park Bancorp (Parent company only):

STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2007	2006
Assets		
Cash and due from banks	\$ 445,422	\$ 752,220
Term deposits	99,000	99,000
Securities available for sale	375,757	180,727
Securities held to maturity	2,383,626	2,444,692
Loan receivable from the Savings Bank	356,959	366,527
Interest receivable	33,401	33,745
Investment in subsidiary	9,499,132	9,392,868
Other assets	178	12,912
Total Assets	\$13,193,475	\$13,282,691
Liabilities and Stockholders' Equity		
Other liabilities	\$ 47,631	\$ 38,381
Stockholders' equity	13,145,844	13,244,310
Total Liabilities and Stockholders' Equity	\$ 13,193,475	\$ 13,282,691

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - PARENT ONLY FINANCIAL INFORMATION (CONTINUED)

STATEMENTS OF INCOME

	Years Ended December 31,	
	2007	2006
Dividend from Bank	\$ -	\$ 350,000
Interest income	192,280	174,946
Non-interest income	18,541	9,616
Total income	<u>210,821</u>	<u>534,562</u>
Non-interest expenses	<u>138,433</u>	<u>161,683</u>
Income before Income Tax and Equity in Undistributed Earnings of Subsidiary	72,388	372,879
Income tax	<u>13,916</u>	<u>4,072</u>
Income before Equity in Undistributed Earnings of Subsidiary	58,472	368,807
Equity in undistributed earnings (loss) of subsidiary	<u>1,566</u>	<u>(54,815)</u>
Net Income	<u>\$60,038</u>	<u>\$313,992</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - PARENT ONLY FINANCIAL INFORMATION (CONTINUED)

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2007	2006
Cash Flows from Operating Activities		
Net income	\$ 60,038	\$ 313,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in interest receivable	344	729
Increase in other liabilities	14,327	13,901
Gain on sale of securities available for sale	(18,387)	(9,612)
Decrease (increase) in other assets	19,456	(12,913)
Equity in undistributed (earnings) loss in subsidiary	(1,566)	54,815
Net Cash Provided by Operating Activities	74,212	360,912
Cash Flows from Investing Activities		
Purchases of term deposits	(297,000)	-
Proceeds from maturities of term deposits	297,000	396,000
Purchases of securities available for sale	(317,172)	(87,418)
Proceeds from sales of securities available for sale	65,428	24,298
Principal repayments on securities held to maturity	61,066	95,656
Decrease in loan receivable from Savings Bank	9,568	9,826
Net Cash (Used in) Provided by Investing Activities	(181,110)	438,362
Cash Flows from Financing Activities		
Cash dividends paid	-	(40,882)
Purchase of treasury stock	(199,900)	-
Purchase of restricted stock	-	(355,778)
Net Cash Used in Financing Activities	(199,900)	(396,660)
Net (Decrease) Increase in Cash and Cash Equivalents	(306,798)	402,614
Cash and Cash Equivalents - Beginning	752,220	349,606
Cash and Cash Equivalents - Ending	\$ 445,422	\$ 752,220

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19- QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
	(In Thousands, Except for Share and Per Share Amounts)			
Interest income	\$1,256	\$1,316	\$1,361	\$1,394
Interest expense	728	763	806	827
Net Interest Income	528	553	555	567
Provision for loan losses	7	44	-	-
Net Interest Income after Provision for Loan Losses	521	509	555	567
Non-interest income	32	39	42	32
Non-interest expenses	504	525	596	609
Income (loss) before Income Taxes	49	23	1	(10)
Income taxes (benefit)	14	7	(12)	(6)
Net Income (loss)	\$ 35	\$ 16	\$ 13	\$ (4)
Net income (loss) per common share-basic	\$0.02	\$0.01	\$0.01	\$(0.01)
Weighted average number of common shares outstanding - basic	1,788,080	1,788,506	1,788,362	1,772,945
Net income (loss) per common share- diluted	\$0.02	\$0.01	\$0.01	\$ -
Weighted average number of common shares outstanding - diluted	1,789,315	1,788,506	1,788,362	1,773,111

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19- QUARTERLY FINANCIAL DATA (UNAUDITED) (CONTINUED)

	Quarter Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
	(In Thousands, Except for Share and Per Share Amounts)			
Interest income	\$1,182	\$1,232	\$1,258	\$1,293
Interest expense	559	627	676	715
Net Interest Income	623	605	582	578
Provision for loan losses	3	-	(1)	(25)
Net Interest Income after Provision for Loan Losses	620	605	583	603
Non-interest income	33	24	30	46
Non-interest expenses	514	476	533	518
Income before Income Taxes	139	153	80	131
Income taxes	53	58	27	51
Net Income	<u>\$ 86</u>	<u>\$ 95</u>	<u>\$ 53</u>	<u>\$ 80</u>
Net income per common share - basic and diluted	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.04</u>
Weighted average number of common shares outstanding - basic and diluted	<u>1,819,490</u>	<u>1,794,046</u>	<u>1,783,985</u>	<u>1,784,413</u>
Net income per common share -- diluted	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$0.03</u>	<u>\$0.04</u>
Weighted average number of common shares outstanding - diluted	<u>1,824,558</u>	<u>1,798,922</u>	<u>1,786,067</u>	<u>1,784,413</u>

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - RECENT ACCOUNTING PRONOUNCEMENTS

FAS 157

In September 2006, the FASB issued SFAS Statement No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. FASB Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are currently evaluating the potential impact, if any, of the adoption of SFAS Statement No. 157 on our consolidated financial condition, results of operations and cash flows.

FSP 157 – b

In December 2007, the FASB issued proposed FASB Staff Position (FSP) 157-b, "Effective Date of FASB Statements No. 157," that would permit a one-year deferral in applying the measurement provision of Statement No. 157 to non-financial assets and non-financial liabilities (non-financial items) that are not recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). Therefore, if the change in fair value of a non-financial item is not required to be recognized or disclosed in the financial statements on an annual basis or more frequently, the effective date of application of Statement 157 to that item is deferred until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. This deferral does not apply, however, to an entity that applies Statement 157 in interim or annual financial statements before proposed FSP 157-b is finalized. The Company is currently evaluating the impact, if any, that the adoption of FSP 157-b will have on the Company's operating income or net earnings.

SAB 109

Staff Accounting Bulletin No. 109 (SAB 109), "Written Loan Commitments Recorded at Fair Value Through Earnings" expresses the views of the staff regarding written loan commitments that are accounted for at fair value through earnings under generally accepted accounting principles. To make the staff's views consistent with current authoritative accounting guidance, the SAB revises and rescinds portions of SAB No. 105, "Application of Accounting Principles to Loan Commitments." Specifically, the SAB revises the SEC staff's views on incorporating expected net future cash flows related to loan servicing activities in the fair value measurement of a written loan commitment. The SAB retains the staff's views on incorporating expected net future cash flows related to internally-developed intangible assets in the fair value measurement of a written loan commitment. The staff expects registrants to apply the views in Question 1 of SAB 109 on a prospective basis to derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The Company does not expect SAB 109 to have a material impact on its consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

SAB 110

Staff Accounting Bulletin No. 110 (SAB 110) amends and replaces Question 6 of Section D.2 of Topic 14, "Share-Based Payment," of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the "simplified" method in developing an estimate of expected term of "plain vanilla" share options and allows usage of the "simplified" method for share option grants prior to December 31, 2007. SAB 110 allows public companies which do not have historically sufficient experience to provide a reasonable estimate to continue use of the "simplified" method for estimating the expected term of "plain vanilla" share option grants after December 31, 2007. SAB 110 is effective January 1, 2008. The Company does not expect SAB 110 to have a material impact on its financial statements.

FASB Statement No. 141 (R)

FASB Statement No. 141 (R) "Business Combinations" was issued in December of 2007. This Statement establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The Statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of a company's fiscal year beginning after December 15, 2008. This new pronouncement will impact the Company's accounting for business combinations completed beginning January 1, 2009.

EITF 06-11

In June 2007, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11"). EITF 06-11 states that an entity should recognize a realized tax benefit associated with dividends on non-vested equity shares, non-vested equity share units and outstanding equity share options charged to retained earnings as an increase in additional paid in capital. The amount recognized in additional paid in capital should be included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. EITF 06-11 should be applied prospectively to income tax benefits of dividends on equity-classified share-based payment awards that are declared in fiscal years beginning after December 15, 2007. The Company expects that EITF 06-11 will not have an impact on its consolidated financial statements.

LINCOLN PARK BANCORP AND SUBSIDIARY

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Stanford Stoller

Chairman of the Board
Principal Consultant in the Insurance Industry Sector of IBM

Edith M. Perrotti

Vice Chairperson of the Board
Retired, former Senior Vice President of Lincoln Park Savings

David G. Baker

Part owner of Lincoln Park Hardware

John F. Feeney

Attorney at Law, Feeney & Dixon, L.L.P.

Henry Fitschen

Public Accountant

Advisory Director

William H. Weisbrod

Senior Vice President-Investments with Wachovia Securities

Executive Officers

David G. Baker

President and Chief Executive Officer

Nandini S. Mallya

Vice President, Treasurer, and Chief Financial Officer

Nancy M. Shaw

Vice President and Corporate Secretary

LINCOLN PARK BANCORP AND SUBSIDIARY

STOCKHOLDER INFORMATION

Annual Meeting

The Annual Meeting of Stockholders will be held at the Lincoln Park PAL Community Center, 10 Boonton Turnpike, Lincoln Park, New Jersey on May 1, 2008 at 10:00 A.M.

Stock Listing

Over-the-Counter Bulletin Board under the symbol "LPBC"

Counsel

Feeny & Dixon, L.L.P.
512 Newark Pompton Turnpike
Pompton Plains, New Jersey 07444

Special Counsel

Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, NW
Suite 400
Washington, DC 20015

Independent Registered Public Accounting Firm

Beard Miller Company LLP
55 US Highway 46 West
Pine Brook, New Jersey 07058

Transfer Agent and Registrar

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
(800) 368-5948

Please contact our transfer agent directly for assistance in changing your address, elimination of duplicate mailing, transferring stock, or replacing lost, stolen or destroyed stock certificates.

Annual Report on Form 10-KSB

A copy of the Company's Form 10-KSB for the fiscal year ended December 31, 2007, as filed with the Securities and Exchange Commission, is available without charge to stockholders by written request to the Company. It may also be accessed on our website at: www.lincolnparksavings.com

LINCOLN PARK BANCORP AND SUBSIDIARY

MARKET INFORMATION

The Company's Common Stock is traded on the Over-the-Counter Bulletin Board under the symbol "LPBC".

The following table sets forth the range of the high and low prices of the Company's Common Stock for each quarterly period during the last two fiscal years. Prices are inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The Company paid a special cash dividend of \$.05 per share on March 16, 2006 to stockholders of record as of March 2, 2006.

<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>	<u>Dividends</u>
March 31, 2006	\$10.10	\$ 8.85	\$.05
June 30, 2006	\$10.05	\$ 9.50	-
September 30, 2006	\$ 9.70	\$ 9.10	-
December 31, 2006	\$ 9.48	\$ 8.75	-
March 31, 2007	\$10.00	\$ 8.65	-
June 30, 2007	\$9.00	\$ 8.36	-
September 30, 2007	\$ 8.50	\$ 7.30	-
December 31, 2007	\$ 8.00	\$ 6.00	-

As of December 31, 2007, there were 1,825,845 shares of Lincoln Park Bancorp common stock outstanding.



31 Boonton Turnpike
Lincoln Park, NJ 07035
(973) 694-0330

Please visit our website at
www.lincolnparksavings.com

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