

**MIDDLESEX FEDERAL SAVINGS, F.A.**  
**STATEMENT OF CONDITION (Unaudited)**  
*After the Close of Business December 31, 2004 and 2003*

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
Cash on Hand and in Banks . . . . .	3,291,489	3,038,978
Investment Securities . . . . .	53,369,229	57,517,089
Mortgaged Backed Securities . . . . .	37,754,902	31,982,960
Mortgage Loans . . . . .	259,481,727	251,205,862
Other Loans . . . . .	22,974,456	20,123,944
Bank Premises and Equipment . . . . .	1,337,799	1,208,773
Accrued Interest Receivable . . . . .	1,624,117	1,754,000
Prepaid Expenses and Other Assets . . . . .	2,092,427	1,850,897
<b>TOTAL ASSETS . . . . .</b>	<b>381,926,146</b>	<b>368,682,503</b>
 <b>LIABILITIES AND RETAINED INCOME</b>		
Deposit Accounts . . . . .	281,735,699	283,732,293
Other Borrowed Money . . . . .	48,977,536	39,637,816
Mortgagor's Escrow Accounts . . . . .	590,453	491,469
Other Liabilities . . . . .	1,722,004	715,487
Total Liabilities . . . . .	333,025,692	324,577,065
Accumulated Other Comprehensive Income . . . . .	2,037,984	1,426,500
Retained Income . . . . .	46,862,470	42,678,938
Total Retained Income . . . . .	48,900,454	44,105,438
<b>TOTAL LIABILITIES &amp; RETAINED INCOME . . . . .</b>	<b>381,926,146</b>	<b>368,682,503</b>

**MIDDLESEX FEDERAL SAVINGS, F.A.**  
**CONSOLIDATED STATEMENT OF OPERATION (Condensed/Unaudited)**  
*Years Ended December 31, 2004, and December 31, 2003*

	<b>2004</b>	<b>2003</b>
Interest Income . . . . .	21,518,033	21,999,158
Interest Expense . . . . .	9,111,833	9,858,855
<b>GROSS MARGIN ON INVESTMENTS . . . . .</b>	<b>12,406,200</b>	<b>12,140,303</b>
Other Income . . . . .	321,573	542,554
Other Expenses . . . . .	6,377,381	5,368,838
<b>NET INCOME BEFORE TAXES . . . . .</b>	<b>6,350,392</b>	<b>7,314,019</b>
Federal and State Taxes . . . . .	2,166,860	2,899,275
<b>NET INCOME . . . . .</b>	<b>4,183,532</b>	<b>4,414,744</b>



One College Avenue, P.O. Box 440303, Somerville, MA 02144  
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# MIDDLESEX FEDERAL

# BANK NOTES

Published by Middlesex Federal Savings F.A., Somerville, Massachusetts 02144

## ANNUAL REPORT 2004



*Teale Square*

It is with a familiar theme that we begin our 115th year of operation, hopeful again that the New Year will bring a needed respite from continuing conflicts and economic malaise. It is again acknowledged that past success has been achieved in part based upon a traditional means of operation and business plan. Continued emphasis is placed on good, "old fashioned" service whereby you can still speak with someone who is eager, willing, and able to assist you with your financial needs. This is accomplished through personal contact with a knowledgeable and experienced support staff that is readily accessible, as opposed to dealing with automated programmed response options. The result of these efforts, combined with sound financial management, was the generation for the fourth consecutive year, of first mortgage and equity loans in excess of \$110 million dollars.

For the twelve months ended December 31, 2004, net income after Federal and State Income taxes aggregated 4.2 million dollars. Although slightly below last year's record earnings, the results are proof positive that a basic business philosophy is still viable, in a very fast moving, technological

environment, which features consolidation and largess as the watchword. Paramount in the discussion of the on-going results is the emphasis on total retained income, which, at the end of the year, aggregated 48.9 million dollars, representing a retained earnings ratio of 12.8% to assets. This level of reserves is well in excess of minimum guidelines as established by our regulatory authorities and affords the Association the ability to operate effectively in a highly competitive environment.

In addition to the maintenance of a solid reserve position, Association assets increased to approximately \$382 million dollars as of December 31, 2004. This is in keeping with a controlled growth strategy that has proven most effective in the past. In closing, once again we would like to acknowledge and thank the many individuals who have made this possible.

A handwritten signature in black ink that reads "Joseph S. Smalarz".

Joseph S. Smalarz  
PRESIDENT AND CEO

## We Are Your Neighborhood Bank



*President and CEO, Joe Smalarz*

This year, we celebrate 115 years of service to our friends and neighbors in the greater Somerville area. Yes, friends and neighbors, that's how we refer to the people we have been working with for well over a century. They are not simply savings account numbers or one of a thousand mortgage holders.

They are members of the community, who have grown along with the bank, to make their way through good times and bad.

We treasure the fact that, in some small way, the neighborhood professionals who work here have always shown a sincere interest in addressing customer needs. By providing sound financial advice on the many savings options the bank offers, so customers can choose the one that helps them work toward their dreams. With affordable mortgage loans for the *first* home some of our

neighbors have ever owned and, for some, the *only* home they have ever lived in. What's more, Middlesex Federal Savings has also afforded many local families the opportunity to send their sons and daughters off to college, in search of an education and a brighter future. Most recently, we have placed greater emphasis on working more closely with local businesses, as well, to help them get started, grow and be successful.

In doing so, we have established a reputation throughout the community as an institution that prides itself in creating and nurturing strong, long-term, personal relationships with our neighbors. Relationships that have grown in a friendly, helpful and mutually rewarding environment. Relationships that last, because we truly understand the importance of continuity and stability in an era of continuous mergers and acquisitions.

We are your neighborhood bank, and we invite you to stop by any of our three conveniently located offices now, so you can experience the "service with a smile" that is the hallmark of Middlesex Federal Savings.

After all, "*We're here to help.*"

### Our Mortgage Plans are Individually Designed for You.

*We offer:*

- Fixed rate and adjustable rate mortgages
- Special programs with low down-payments for first-time buyers
- Jumbo mortgages with a variety of payment plans to suit your situation

### Home Equity Line of Credit

*No Fees and Great Rates!*

In addition:

- Home equity interest rates are generally lower than personal loans
- Up to 100% of the interest you pay may be tax deductible
- To activate your line of credit, you simply write a check
- You pay interest only on the money you use



*It's just one smile after another at Medford Square. L to R: Melanie Miscioscia, Christina Wahman, Mary Sullivan and branch manager Cheryl Staude.*



*At our Teele Square office, friendly faces are the order of the day. L to R: Jennifer Nork, Michelle Celli, Lisa O'Leary, Edite Bettencourt, Maria Miele and branch manager Sylvana Sabatino.*



*Stop by and see one of our neighborhood professionals at Davis Square. L to R: Adelina DeSalvo, Paula Campbell, Fred Martino, Michael McWilliams and Mark Collins*



*Just waiting to serve you in Davis Square. Seated L to R: Fran Encalada and Joe Smalarz Standing L to R: Kevin Needham, Dan Capozzi and Maria Franco*

## Save Two Ways with an IRA

*You may qualify for tax free earnings with one of our IRA's.*

- Roth Ira-tax –free earnings and the option of withdrawing funds without penalty for first-time homebuyer purchase, under certain conditions.
- Traditional IRA-high interest variable rate or a term certificate, *both with tax-deferred earnings.\**
- Education IRA's to save for your children's future.

*\*Consult your tax preparer for exact savings.*

## Protect Your Investments with an Insured Savings Plan.

- Passbook Savings Accounts
- Tiered Savings Accounts
- Money Market Accounts
- Checking/NOW Accounts
- Christmas Club
- Term Certificates

## Electronic Banking

We offer a 24-hour access line.

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or 1-888-964-3353



*Customer service has never been in better hands. L to R: Taneisha Waugh, Alice Lavin, Barbara Sartanowicz, Jennifer Borden and Fatma Naguib.*

## Jack Wiseman Remembered



*Jack Wiseman*

Jack Wiseman, who, for nearly thirty years, served with great distinction on the Board of Directors at Middlesex Federal Savings, passed away in February. The Wiseman family has enjoyed a long association with the bank.

Jack's dad served as an officer at the bank, and, most recently his son, John, was appointed a Director.

Jack was a Somerville native and a well known and highly respected businessman in the greater Boston area. Over the years, his personal warmth and genuine concern for those who knew him, earned him the life-long admiration of the entire community. His contributions as a Director and, more importantly, his presence in the neighborhood, will be greatly missed. In his memory, the Somerville High School scholarships, donated annually by Middlesex Federal Savings, will now be given in his name.