

MIDDLESEX FEDERAL SAVINGS, F.A.
STATEMENT OF CONDITION (Unaudited)
After the Close of Business December 31, 2005 and 2004

ASSETS	2005	2004
Cash on Hand and in Banks	4,947,800	3,291,489
Investment Securities	60,310,183	53,369,229
Mortgage Backed Securities	36,050,098	37,754,902
Mortgage Loans	266,396,449	259,481,727
Other Loans	24,724,855	22,974,456
Bank Premises and Equipment	1,174,583	1,337,799
Accrued Interest Receivable	1,868,302	1,624,117
Prepaid Expenses and Other Assets	3,130,692	2,092,427
TOTAL ASSETS	398,602,962	381,926,146
 LIABILITIES AND RETAINED INCOME		
Deposit Accounts	276,589,597	281,735,699
Other Borrowed Money	66,498,458	48,977,536
Mortgagor's Escrow Accounts	699,485	590,453
Other Liabilities	2,387,188	1,722,004
Total Liabilities	346,174,728	333,025,692
Unrealized Gain on Available for Sale Securities	2,515,160	2,037,984
Retained Income	49,913,074	46,862,470
Total Retained Income	52,428,234	48,900,454
TOTAL LIABILITIES & RETAINED INCOME	398,602,962	381,926,146

MIDDLESEX FEDERAL SAVINGS, F.A.
CONSOLIDATED STATEMENT OF OPERATION (Condensed/Unaudited)
Years Ended December 31, 2005, and December 31, 2004

	2005	2004
Interest Income	22,575,051	21,518,033
Interest Expense	10,653,565	9,111,833
GROSS MARGIN ON INVESTMENTS	11,921,486	12,406,200
Other Income	329,378	321,573
Other Expenses	7,363,046	6,377,381
NET INCOME BEFORE TAXES	4,887,818	6,350,392
Federal and State Taxes	1,837,214	2,166,860
NET INCOME	3,050,604	4,183,532



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MIDDLESEX FEDERAL

BANK NOTES

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ANNUAL REPORT 2005



L to R: Barbara Sartanowicz, Joe Smalarz and Fred Martino look over layouts for the bank's new web page.

Despite the continuing uncertainty in the financial marketplace, the Association is pleased to report the completion of another successful year of operation. Again it is most rewarding that this can be accomplished as a mutual institution, in today's environment, with a time-honored, old-fashioned business plan. We continue to focus on our core markets with savings and mortgage products that are highly competitive along with a high level of personal service. This continues to be our strategic plan going forward with modifications and timely improvements to our technological systems that afford the Association the ability to compete effectively with larger institutions. It is interesting to note that a current business trend for larger corporations now is to divest themselves of certain parts of their operations and to concentrate on core activity for reasons of efficiency and maximization of shareholder value, as we have done successfully for a number of years.

Although the year ended positively, it was not without experiencing some financial headwinds due to market fluctuations and the necessity to respond in a prudent way to the impact of those valuations. Net Income for the twelve months ended aggregated

3.0 million dollars versus 4.2 million dollars for the same period one year ago. The difference was largely due to one-time charges to fully fund the Association's retirement reserve, and the requirement to recognize "other than temporary" impairment charges as a result of decreases in value of certain securities. Despite these charges, the net reserve position of the Association remains strong, as total Retained Income as a percentage to Assets is 13.2% as of December 31, 2005, in comparison to 12.8% for the same period one year ago. We are therefore confident in the coming year that whichever direction economic conditions turn, our traditional business plan with necessary modifications will again prove successful. At this time we again would like to take this opportunity to thank the many individuals who continue to contribute to the success of the Association and make this possible.

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

Joseph S. Smalarz
PRESIDENT AND CEO

Looking Foward



President and CEO, Joe Smalarz

First, I would like to take this opportunity to again thank our friends and neighbors for their continued support in 2005.

We truly value you as partners in helping the greater Somerville area grow and prosper, as it has over the past several years.

Our roots are firmly planted here and our goals remain relatively simple: to better understand our neighbors and our community and provide sound savings plans and affordable mortgages that truly meet your needs.

We are Middlesex Federal Savings and the name on our door has been the same for well over 100 years.

At the same time, we recognize the necessity to affect change when it serves to facilitate your ever growing needs.

To that end, we look forward to this year with a renewed sense of optimism. Over the next few months, we plan to implement a number of added features to our banking services. One is the anticipated completion of an internet web page specifically designed to afford you real time access to information and data, regarding accounts, savings and mortgage plans and special offers. We are truly excited about this venture and hope its creation will facilitate your banking needs. Down the road is the promise of on-line banking.

Rest assured, however, that our stated objective in offering this new feature is to compliment the high level of personal service we now offer, not replace it with a web page or automatic teller machines. Our success has been founded on personal relationships with our neighbors.

We fully recognize that even the most cutting edge technology can never replace the one-on-one associations we have nurtured over these many years.

Because at the end of the day, we want to be your neighborhood bank.

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

Saving has never been better

Your rate is always guaranteed at Middlesex Federal Savings.

Choose From:

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



Powderhouse Square

Mortgage Plans that make you feel right at Home

We offer a variety of plans designed to fit your budget and needs.

- 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



Medford Square

Electronic Banking

We offer a 24-hour access line.

Call 1-888-9- MIDDLE or 1-888-964-3353

A Home Equity Line of Credit-The Smart Choice

Lower rates and tax savings could be yours.



Davis Square

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

*Consult your tax preparer for information on on deductions.



Tufts University

NET GAIN

- Watch for an announcement concerning our new internet web page.
- We are designing one to facilitate your banking needs and information

Look for the exact date
in the near future.

Business Accounts

Middlesex Federal Savings offers a variety of accounts for small to medium size businesses, including business checking.

IRA's are a great way to save.

Tax free earnings make an IRA a sound investment.

- Save for your children's future with an Education IRA.
- Traditional and Roth IRA-high interest variable rate plans or a term certificate, feature tax-deferred earnings.*
- First-time homebuyers may be able to withdraw funds without penalty.

*Consult your tax preparer for exact savings.



Teele Square