

Dear Friends and Customers,

As we present our 2006 financial statement for your review, we are pleased to report that we reached a number of historic milestones, many of which included enhancements to our financial strength. Our net worth increased to over \$124 million, we closed more than \$185 million in loans and our deposits increased to over \$992 million. We are especially proud that these accomplishments were achieved through prudent mortgage investment in communities we serve and by offering savings and investment products that met our customers' needs.

Throughout our 71 year history, the underlying reason for our success has been the value we place on our customers and the communities that we serve. In 2006, we continued to enhance our products, delivery systems and technology with the sole purpose of improving our ability to serve you better. Among these was the opening of our new Avon Branch which brings our total number of branches to 12 and allows us the ability to provide enhanced customer convenience. We also rolled out a number of new products that included on-line loan applications as well as on-line bill pay.

We pledge our continued commitment to being your customer friendly community bank that provides quality service and ease of doing business. You can count on First Federal of Lakewood to remain strong and stable by continuing to invest in the communities and families we serve.

On behalf of the Directors, Officers and Employees of First Federal of Lakewood, we express our appreciation for your patronage in 2006. It has been our privilege to serve you and we look forward to continuing our relationship in 2007 and beyond.

Sincerely yours,



Ronald W. Dees
Chairman of the Board



Gary R. Fix
President, CEO & Managing Officer



Avon	440.934.0314	North Olmsted	440.777.9000	Westlake/Crocker	440.835.4409
Avon Lake	440.930.5161	North Ridgeville	440.327.1311	Westlake/Detroit	440.871.4667
Brunswick	330.273.0012	Olmsted Township	440.235.7154	Loan Officer	216.529.LOAN(5626)
Fairview Park	440.716.9708	Rocky River	440.895.9586		
Lakewood	216.221.7300	Strongsville	440.572.6080		

Customer Service & More 216.529.2700
Outside of Cuyahoga County 800.966.7300



GET MORE FROM YOUR NEIGHBORHOOD BANK



Officers of First Federal of Lakewood

Ronald W. Dees.....Chairman
 Gary R. Fix.....President, CEO & Managing Officer
 David T. Shaw.....Senior Vice President & Secretary
 Richard K. Smith.....Senior Vice President, CFO & Treasurer
 Gerald A. Buck.....Senior Vice President/Lending Division Manager
 Steve Nogle.....Vice President, Information Technology
 Michael G. Berichon.....Vice President & Chief Lending Officer
 Timothy S. Brimus.....Vice President & Controller
 James P. Heide.....Vice President, Marketing, Business Development
 Karen A. Herrmann.....Vice President, Manager Human Resources
 Marie Marrali.....Vice President, Manager, Retail Banking
 Ronald R. Webb.....Vice President, Manager, Residential Lending

Assistant Vice Presidents

Matthew S. Leach.....Chief Commercial Loan Underwriter
 James D. Lechko.....Manager, Investment Services
 Judy L. Platek.....Branch Coordinator

Officers

Deborah A. Brauer.....Manager, Savings Service
 Deborah E. Bythway.....Manager, Internal Audit/Compliance
 Bonny Carroll.....Branch Sales Manager, Avon/Avon Lake Office
 Debra M. Girman.....Branch Sales Manager, Lakewood/North Olmsted Office
 Sally A. Golden.....Manager, Loan Service
 Charles R. Hollingsworth.....Branch Sales Manager, Brunswick/Strongsville Office
 Jacqueline A. McLucas.....Manager, Accounting
 Katherine E. Murphy.....Branch Sales Manager, Crocker/Westlake Detroit Office
 Eileen Nunney.....Branch Operations Manager, Westlake Detroit Office
 Lin Schaefer.....Branch Sales Manager, North Ridgeville/Olmsted Twp. Office
 Edward R. Turza.....Branch Sales Manager, Rocky River/ Fairview Park Office
 Alysia K. Wright.....Branch Operations Manager, Rocky River Office
 Ted Yorkievitz.....Branch Operations Manager, Lakewood Office
 Linda S. Zelonis.....Branch Operations Manager, Avon Lake Office

Directors

Ronald W. Dees.....President (retired)
 Bonne Bell Inc.
 Gary R. Fix.....President, CEO & Managing Officer
 First Federal Savings & Loan Association of Lakewood
 W. Charles Geiger III.....President
 Geiger's Clothing & Sports
 William C Huffman.....Attorney,
 Huffman, Issac & Frost, LLC
 Michael P. Summers.....President and Owner
 Summers Rubber Co.
 Terry G. Tracy.....President (retired),
 First Federal of Lakewood

Directors Emeritus

Larry E. Faulhaber
 Roger L. Holmes
 William M. Malley
 Vernon L. Vunderink
 Robert C. Weber

Statement of Condition

As of December 31, 2006

ASSETS

CASH AND CASH EQUIVALENTS.....	\$ 20,115,650
SECURITIES AVAILABLE FOR SALE.....	233,627,935
SECURITIES HELD TO MATURITY.....	9,905,662
LOANS.....	836,451,557
FEDERAL HOME LOAN BANK STOCK.....	9,363,100
PREMISES AND EQUIPMENT, NET.....	12,592,760
ACCRUED INTEREST RECEIVABLE AND OTHER ASSETS.....	19,776,140
TOTAL ASSETS.....	1,141,832,804

LIABILITIES AND EQUITY

DEPOSITS.....	\$ 992,399,693
FHLB ADVANCES.....	5,900,000
ACCRUED INTEREST PAYABLE AND OTHER LIABILITIES.....	19,352,007
TOTAL LIABILITIES.....	1,017,651,700
RETAINED EARNINGS.....	124,883,125
ACCUMULATED OTHER COMPREHENSIVE INCOME.....	(702,021)
TOTAL RETAINED EARNINGS.....	124,181,104
TOTAL LIABILITIES AND NET WORTH.....	1,141,832,804

First Federal Savings and Loan Association of Lakewood has built one of the strongest financial institutions in America by careful investment management and concerned community involvement.

RECONCILIATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) TO REGULATORY CAPITAL:

THE ASSOCIATION WAS IN COMPLIANCE WITH THE CURRENT CAPITAL REQUIREMENTS AT DECEMBER 31, 2006, AS DEPICTED BELOW:

	UNAUDITED REGULATORY		
	Tangible Capital	Core Capital	Risk-based Capital
GAAP CAPITAL	\$ 124,181,000	\$ 124,181,000	\$ 124,181,000
Nonallowable assets	\$ -	\$ -	\$ -
Additional capital – general loan valuation allowances	\$ -	\$ -	\$ 2,786,000
Unrealized Gains/Losses certain AFS securities	\$ 702,000	\$ 702,000	\$ 2,804,000
Regulatory capital – computed	\$ 124,883,000	\$ 124,883,000	\$ 129,771,000
Minimum capital required	\$ 22,883,500	\$ 45,767,000	\$ 51,623,000
Regulatory capital – excess	\$ 101,999,500	\$ 79,116,000	\$ 78,148,000

The Office of Thrift Supervision (O.T.S.) requires that savings associations maintain 2% of its assets in Tangible Capital (10.91% actual) and 4% of its assets in Core Capital (10.91% actual) and 8% of its Risk Weighted Assets (20.11% actual) in Risk Based Capital. First Federal Savings & Loan Association of Lakewood's regulatory capital as detailed above is well in excess of the O.T.S. capital requirements.

This statement has been prepared in accordance with the regulatory reporting requirements of the Office of Thrift Supervision (O.T.S.). Tangible, core and total capital are the elements of regulatory capital determined under such reporting requirements. Regulatory capital is a basis by which the O.T.S. determines whether a savings association is operating in a safe and sound manner.

Copies of the audited financial statements as of and for the year ended December 31, 2006, will be available after March 31, 2007. These statements can be obtained by visiting our Lakewood office and contacting Mr. Richard K. Smith, Senior Vice President, Chief Financial Officer and Treasurer.

I, Richard K. Smith, Senior Vice President, Chief Financial Officer and Treasurer, of the above-named savings association, do hereby declare that this statement of condition has been prepared in conformance with the instructions issued by the Office of Thrift Supervision and is true to the best of my knowledge and belief.



Richard K. Smith
 Senior Vice President, Chief Financial Officer and Treasurer