

THE OHIO EDUCATIONAL CREDIT UNION

Not just for
TEACHERS

Over 73 Years of
Serving Your Changing
Financial Needs.

Annual Report

2005

MISSION STATEMENT

The Ohio Educational Credit Union provides a full range of superior financial products for the purpose of assisting and educating its membership in establishing and enhancing their financial well-being.



MEMBER OWNED

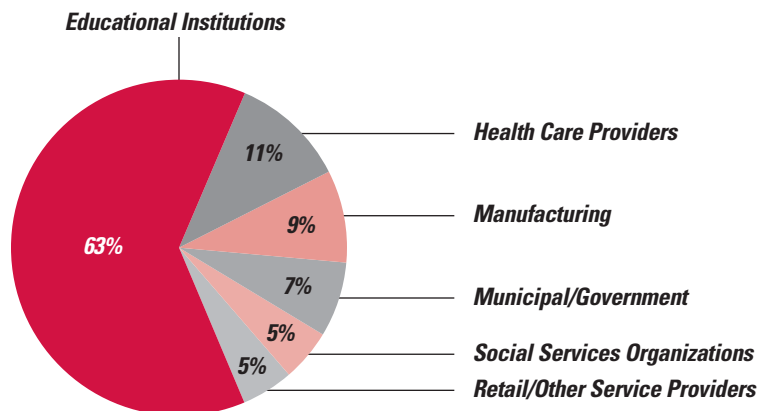
The Ohio Educational Credit Union is a not-for-profit financial cooperative providing superior financial products, services and conveniences for its members. We are a member-owned organization; our members are our only shareholders. The Credit Union provides similar services to that of banks, but is different from other financial institutions because it operates as a separate entity solely for the benefit of its members (owners). Our Board of Directors is composed of unpaid volunteers elected from and by the membership.

The essential purpose of The Ohio Educational Credit Union is to promote thrift and provide low-cost credit for provident purposes. As our Mission Statement indicates, The Ohio Educational Credit Union is a full-service financial institution. It is our goal to recognize and understand the unique needs of individual members and to fulfill those needs through a variety of diversified products and services. We are committed to assisting and educating our members in establishing and enhancing their financial well-being.

The Ohio Educational Credit Union is chartered by the State of Ohio to provide its member-owners with the financial security, flexibility and convenience so necessary in today's busy and ever-changing world. Also, all member deposits are insured by American Share Insurance up to \$250,000 per account.

MEMBERSHIP DIVERSITY

The Ohio Educational Credit Union is very proud of its financial strength and stability. Throughout our 73-year history, we have reported consistent growth in capital, membership and services. The membership represents many diverse professions, with education being the most significant.



The Ohio Educational Credit Union (OECU) takes pride in the assistance it provides its members in establishing and enhancing their financial well-being. The Credit Union focuses on the needs of its members and their families and assists them in building their financial futures.

It has been 73 years since the May 1933 incorporation of The Cleveland Teachers Credit Union, now known as The Ohio Educational Credit Union. The Credit Union has a rich history based on the Credit Union's philosophy of "people helping people." This philosophy is very apparent in the makeup of the board and committees, which are composed of unpaid volunteers elected from the membership.

The Board of Directors, committees and employees are comprised of individuals who bring with them the full spectrum of financial and credit union experience, and together they form a progressive and forward-thinking team. It is this strong team that provides a foundation for the delivery of quality service to the membership. The Credit Union continues to invest in the development of its employees and services, to assist our members in building their financial futures.

The Credit Union now serves individuals from a variety of organizations. The varied membership includes students, alumni, employees and retirees from primary and secondary schools, universities, teaching hospitals and public and private trade schools throughout Ohio. In addition to educational institutions, the Credit Union also serves individuals from several community service organizations, home health care providers, day-care services and arts organizations.

Through the years, the Credit Union has partnered with other credit unions through merger for the benefit of the joint membership. Many of these partnerships were with credit unions that had a manufacturing membership base. This type of partnership continued in 2005 through the merger with Zanesville Armco Employees Credit Union.

The Credit Union membership has an opportunity to benefit from quality financial services for all stages of their lives. With OECU, the members enjoy single-source convenience and the security of dealing with a safe, reliable, established organization of financial specialists to assist them in building their financial futures.

The building of one's financial future starts early in life, and for that reason, the education of our young members is important to all of us. To assist our young members in pursuing continuing education, the Credit Union awards twelve scholarships each year totaling \$10,000. These scholarships, along with OECU's participation in the governmental student loan programs and our student relationship package of benefits, are some of the ways we assist our young members in starting on the correct road to financial well-being through education and good financial habits.

The Credit Union has developed new partnerships in past years to provide the membership with additional ways to benefit from the services of the Credit Union. More opportunities are being developed for introduction to our members in 2006.

The Board of Directors and staff of the Credit Union are committed to serving the membership. The Credit Union will continue to maintain a standard of excellence that will merit the continued support of all our members. I extend my thanks to our loyal members whose continued support has made our Credit Union what it is today.

Respectfully submitted,

Duane Horning
President of the Board of Directors

The Ohio Educational Credit Union is ready to assist its members by providing quality financial services for all stages of their lives. With OECU, the members enjoy single-source convenience and the security of dealing with a reliable, established organization of financial specialists to assist them in building their financial futures.

Deposit Products:

- Regular Savings Accounts
- Share Draft (Checking) Accounts
- Money Market Accounts
- Term Certificates
- Individual Retirement Accounts (IRA)
- Special Savings Accounts
 - Holiday Savings
 - Vacation Savings
 - Summer Reserve Pay

Loan Products:

- New and Used Auto Loans
- Vehicle Leases
- Boat and Recreational Vehicle Loans
- First and Second Mortgage Loans
- Home Equity Lines of Credit
- Guaranteed Student Loans
- Credit Cards
- Quick-Cash Personal Loans
 - Line-of-Credit
 - Home Improvement
 - Wellness
 - Bill Payer

Convenience Services:

- ATM Cards and Debit Cards
- Alliance One and Key Bank non-surcharge ATM networks with over 7,000 combined non-surcharge ATMs
- Internet Banking at www.e22ndstreet.com
- Direct Deposits
- Payroll Deductions
- Auto Loans Available at Select Dealerships
- "Toni" The Touch-Tone Teller
- 24-hour Loan Service Center

Added Services:

- Insurance Products
- Student Education Assistance Programs
- Notary Services
- U.S. Savings Bonds
- Travelers Checks
- Domestic and International Wire Transfers

**Mr. Duane Horning,
Board President**

Former CEO, Allen Memorial Hospital
and formerly with Lakewood Hospital

Mr. Richard M. Gore, Vice President

Assistant Director of Distance Learning Services,
WVIZ
Former Director, Division of Career
and Technical Education,
Cleveland Municipal School District

Mr. Robert J. Gale, Treasurer

President, Cleveland Chapter of the
Ohio Credit Union League
Former teacher, Holy Name High School

Mr. Tony H. Smith, Sr., Secretary

Vice President of Operations at
Ohio Aerospace Institute

Ms. Carol A. Creel

Director of Special Projects,
Cleveland Municipal School District

Mr. Fred Dolan

President, Heartland Communications

Mr. Anastasius Fourmas

Former Assistant Principal,
Whitney M. Young Junior High School,
Cleveland Municipal School District

Mr. Edward Kral

Former Director of Personnel,
Cleveland Municipal School District

Mr. Gerald Pace

Chief Financial Officer,
Cleveland Municipal School District

Mr. Patrick J. Polen

Information Engineer,
AK Steel Zanesville Operations

Mr. David Stewart

Chief Financial Officer,
St. Vincent Charity Hospital

Ms. Mary Lou V. Stricklin

President/Chief Executive Officer,
VNA Healthcare Partner of Ohio

Mr. Craig Strong

Director of Public Information/EEO,
Cuyahoga County Engineer's Office
Former Occupational Work Experience Teacher,
Cleveland Municipal School District

Your Credit Union continued to prosper in 2005 through a period of economic uncertainty. The Credit Union grew and worked to meet the financial needs of its membership. The membership continues to use the many services provided by the Credit Union to enhance their financial well-being.

The assets at year-end were \$107,952,470 with net loans to members of \$78,626,354. The loan portfolio grew by 4.4% during the year. This growth was primarily in the area of vehicle and 2nd mortgage loans. During 2005 the Credit Union saw its loan holdings in vehicle loans grow by 39%, and mortgage products grew by 24%, with the majority of this growth being in the fixed rate 2nd mortgage products. Loans to members represent 73% of all assets, and the Credit Union continues to maintain a well-diversified and financially sound mix of loan products. The loan portfolio breakdown was 31% in vehicle loans, 31% in mortgages, 29% in home equity loans and 8% in signature products. Approximately 92% of the loan portfolio was in collateralized loans.

Member deposits that are not immediately used to fund loan demand are placed in the investment portfolio, which totaled \$22.4 million at year-end 2005. The investment portfolio consists of Federal Funds sold, interest-bearing time deposits with financial institutions, securities available for sale and capital participation certificates. These invested funds represented 20% of all assets.

Member deposits increased to \$96.6 million by year-end 2005. The majority of the growth was in the Term Share Certificate products. Regular share savings continued to be the most utilized product and represented 46% of all deposit dollars.

The members' equity continues to remain strong with a capital ratio of 9.51%. The total members' equity showed an increase of \$573,437. This increase is attributed to the \$311,438 in equity acquired through the merger of Zanesville Armco Employees Credit Union, \$321,685 from operating income along with a \$59,686 unfavorable change in market value of certain investments.

The use of electronic services continues to be in great demand. The Credit Union will continue to work to expand the availability of these electronic services to better meet the growing expectation for convenience from the membership. The ATM/Debit cards, free Internet home banking service (e22ndstreet), "Toni" The Touch-Tone Teller and ACH/Direct Deposit services all continue to be used by the membership.

The Credit Union's 24-hour-a-day loan service center is another added convenience for the membership. This center can process loan applications via a telephone call to a Credit Union Member Service Representative at the time most convenient for members. The growth in the loan portfolio is partially attributed to the added convenience of obtaining Credit Union vehicle loans through any of the 245 dealerships throughout Ohio working with the Credit Union.

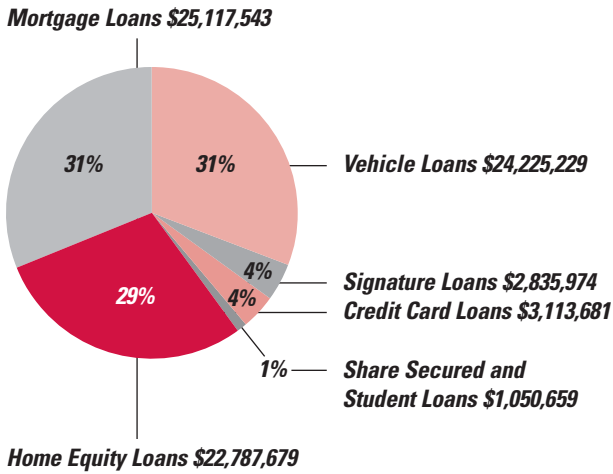
The Credit Union is proud of the diversified products and services that are available to the membership and the quality personal service provided. These quality services are designed to meet the primary financial needs of all members.

The continued support from the Credit Union membership has resulted in the success of the Credit Union. We hope that you will take advantage of the many services provided for your benefit. The Credit Union continues to work for the purpose of assisting and educating its membership in establishing and maintaining their financial well being.

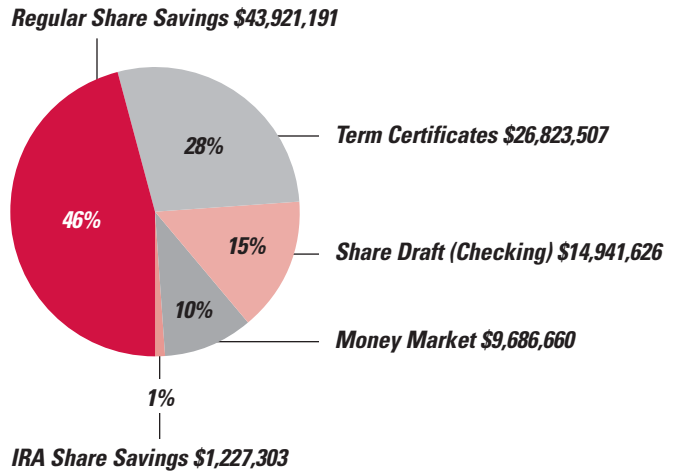
Respectfully submitted,

Robert J. Gale, Treasurer
Jerome R. Valco, Chief Executive Officer

LOAN PORTFOLIO



DEPOSIT PORTFOLIO



CREDIT COMMITTEE REPORT

Mr. Joseph Vargo, Chairperson

Volunteer Specialist for AARP
Former teacher with the Cleveland Municipal School District and Director of Negotiations for the Cleveland Teachers Union

Mrs. Winnifred Albert, Secretary

Former Assistant Principal of the Cleveland School of Arts, East Technical High School, Carl F. Shuler Jr. High School, Charles Eliot Jr. High School and A.B. Hart Jr. High School

Mrs. E. Ruth Wesby

Former teacher with the Cleveland Municipal School District

The Credit Committee meets weekly throughout the year to review credit applications and meet with members experiencing extraordinary financial problems. The Committee also reviews applications and approved loans to insure we are in compliance with lending regulations and the Credit Union's loan policy. The Credit Committee reviews all special lending products and makes appropriate recommendations to the Board of Directors. The Credit Committee also reviews all loan requests when special considerations are necessary to assist our members in resolving specific financial difficulties.

The Credit Union continues to maintain a well-balanced and financially sound mix within the loan portfolio. The portfolio contains 31% in vehicle loans, 31% in mortgages, 29% in home equity loans and 8% in signature products. Approximately 92% of the loan portfolio is in collateralized loans.

The loan loss reserves have been maintained at levels sufficient to meet any anticipated losses associated with the non-payment of loans. The Credit Union continues its aggressive posture in dealing with long-term delinquencies and removing those obligations from our portfolio.

The Credit Committee continues to work with management in the development of new credit products for the membership's growing financial needs.

Respectfully submitted,

Credit Committee
Joseph Vargo, Chairperson



Crowe Chizek and Company
Member Horwath International

*Board of Directors
The Ohio Educational Credit Union
Cleveland, Ohio*

We have audited the accompanying balance sheets of The Ohio Educational Credit Union as of December 31, 2005 and 2004, and the related statements of income, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio Educational Credit Union as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

*Cleveland, Ohio
January 20, 2006*

BALANCE SHEETS

December 31, 2005 and 2004

ASSETS	2005	2004
Cash and due from financial institutions	\$ 1,128,747	\$ 1,242,855
Federal funds sold	5,193,473	3,660,190
Total cash and cash equivalents	6,322,220	4,903,045
Interest-bearing time deposits with financial institutions	9,591,676	8,009,405
Securities available for sale	6,488,738	9,468,187
Net loans	78,626,354	75,311,095
Premises and equipment, net	3,782,845	3,555,673
Corporate One and WesCorp capital participation certificates	1,096,495	1,134,898
Accrued interest receivable	379,261	314,698
Member share insurance deposit	1,057,839	1,016,546
Member payroll deductions receivable	14,430	58,290
Prepaid expenses and other assets	592,612	510,217
Total assets	\$ 107,952,470	\$ 104,282,054
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	\$ 96,600,287	\$ 93,743,114
Accounts payable and accrued liabilities	1,087,819	848,013
Total liabilities	97,688,106	94,591,127
Members' equity		
Appropriated statutory reserve	3,339,398	3,259,357
Retained earnings	7,044,360	6,491,278
Accumulated other comprehensive income (loss)	(119,394)	(59,708)
Total members' equity	10,264,364	9,690,927
Total liabilities and members' equity	\$ 107,952,470	\$ 104,282,054

STATEMENTS OF INCOME

Years ended December 31, 2005 and 2004

Interest and dividend income	2005	2004
Loans	\$ 4,761,735	\$ 4,081,044
Securities	245,092	352,831
Federal funds sold	163,499	68,304
Interest bearing time deposits and other	390,060	306,855
Total interest and dividend income	5,560,386	4,809,034
Interest and dividend expense		
Share accounts	1,323,825	729,560
Borrowings	3,576	23,089
Total interest and dividend expense	1,327,401	752,649
Net interest income	4,232,985	4,056,385
Provision for loan losses	141,430	327,817
Net interest income after provision for loan losses	4,091,555	3,728,568
Noninterest income		
Fees and charges	2,167,456	2,065,108
Interchange fees	261,428	262,793
Other-than-temporary loss on securities available for sale	—	(49,900)
Loss on sale of securities and other investments	(18,581)	(508)
Other	163,276	79,099
Total noninterest income	2,573,579	2,356,592
Noninterest expense		
Compensation and benefits	2,644,777	2,340,769
Office operations	1,204,413	1,107,680
Service processing charges	985,983	996,338
Depreciation and amortization	301,181	245,688
Occupancy	426,092	363,441
Member education and promotion	220,851	199,564
Professional fees	120,701	83,402
Director and dues expenses	136,934	109,320
Insurance	43,016	39,924
Other	259,501	253,736
Total noninterest expense	6,343,449	5,739,862
Net income	\$ 321,685	\$ 345,298

See accompanying notes to financial statements

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2005 and 2004

	Appropriated Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Members' Equity
Balance, January 1, 2004	\$ 3,259,357	\$ 6,145,980	\$ (102,708)	\$ 9,302,629
Comprehensive income				
Net income	—	345,298	—	345,298
Other comprehensive income	—	—	43,000	43,000
Total comprehensive income				388,298
Balance, December 31, 2004	3,259,357	6,491,278	(59,708)	9,690,927
Merger of Zanesville Armco Employees Credit Union	80,041	231,397	—	311,438
Comprehensive income				
Net income	—	321,685	—	321,685
Other comprehensive income (loss)	—	—	(59,686)	(59,686)
Total comprehensive income				261,999
Balance, December 31, 2005	\$ 3,339,398	\$ 7,044,360	\$ (119,394)	\$ 10,264,364

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

Years ended December 31, 2005 and 2004

Cash flows from operating activities	2005	2004
Net income	\$ 321,685	\$ 345,298
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	301,181	245,688
Provision for loan losses	141,430	327,817
Net amortization of securities	7,401	12,610
Loss on sale of securities	18,581	2,681
Other-than-temporary loss on security	—	49,900
Mutual funds dividends	(38,293)	(80,432)
Net change in:		
Deferred loan costs	(139,069)	(106,414)
Other assets	(38,535)	210,672
Accrued interest receivable	(61,948)	21,448
Accounts payable and other liabilities	200,083	(9,062,110)
Net cash from operating activities	712,516	(8,032,842)
Cash flows from investing activities		
Net cash received in merger	898,312	—
Net change in interest-bearing time deposits	(884,271)	9,133,595
Securities available for sale		
Purchases	(1,000,000)	(8,453,806)
Maturities, calls and principal repayments	741,659	2,868,278
Proceeds from sale of available-for-sale securities	3,190,415	3,497,714
Net change in loans	(2,271,431)	(8,563,818)
Net change in share insurance deposits	(14,628)	(18,137)
Net change in capital participation certificates	62,887	323,724
Property and equipment expenditures, net	(526,149)	(288,920)
Net cash from investing activities	196,794	(1,501,370)
Cash flows from financing activities		
Net increase in members' shares	509,865	1,329,843
Net cash from financing activities	509,865	1,329,843
Net change in cash and cash equivalents	1,419,175	(8,204,369)
Cash and cash equivalents at beginning of year	4,903,045	13,107,414
Cash and cash equivalents at end of year	\$ 6,322,220	\$ 4,903,045
Supplemental cash flow information:		
Cash paid for interest and dividends	\$ 1,327,401	\$ 752,649

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of The Ohio Educational Credit Union (the "Credit Union") conform with accounting principles generally accepted in the United States of America and general practice within the credit union industry. The more significant policies are described below.

Nature of Operations: The Credit Union's operations are principally related to holding deposits for, and making loans to, individuals that have been educated or educate in the State of Ohio, as well as other select employee groups. The Credit Union conducts its business through its main office in Cleveland, Ohio and branch offices in Fairview Park, Richmond Heights, Oberlin and Zanesville, Ohio. Primary deposit products are share, share draft, money market, certificates and Individual Retirement Accounts, and primary lending products are residential mortgage and consumer loans. Collateral for loans consists of consumer assets and real estate. Other financial instruments which potentially represent concentrations of credit risk include deposit accounts in other financial institutions.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan losses and fair values of financial instruments are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash on hand, demand deposits in other institutions and federal funds sold, as well as investments with original maturities less than 90 days. Cash flows are reported net for member loan and share account transactions, certificates of deposit with other financial institutions, share insurance deposits and capital participation certificates.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income.

Interest income includes the amortization of purchase premiums and discounts. Premiums and discounts on securities are amortized on a basis which approximates the level-yield method. Gains and losses on sales are based on the amortized cost of the security sold as of the trade date.

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, and (3) the Credit Union's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Net loan origination costs are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Accrual of interest is discontinued when full loan repayment is in doubt, typically when payments are contractually delinquent 60 days or more, unless the credit is well secured and in the process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Uncollectible interest previously accrued is charged-off, or an allowance is established by means of a charge to interest income. Interest received is recognized on the cash basis or cost recovery method until qualifying for return to accrual status. Accrual is resumed when all contractually due payments are current and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

Loan impairment is reported when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer and credit card loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on the straight-line method based on the estimated useful lives of the assets. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable. Maintenance and repairs are expensed, and major improvements are capitalized.

Capital Participation Certificates: As a member of Corporate One Federal Credit Union, the Credit Union is required to maintain an investment in capital participation certificates for the lesser of 1% of the Credit Union's assets or \$900,000. The investment is interest bearing with an annual renewal. As a member of WesCorp, the Credit Union is required to maintain an investment in capital participation certificates for the greater of 5% of the average daily balances maintained by the Credit Union at WesCorp or .125% of the Credit Union's assets. The investment is interest bearing.

Member Share Insurance Deposit: The Credit Union maintains a deposit with American Share Insurance (ASI), which requires the maintenance of a deposit in an amount equal to 1.1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, or if it converts to insurance from another source.

Members' Share Accounts: Members' share accounts are subordinated to all other liabilities of the Credit Union. Members' share accounts are insured by ASI up to \$250,000. Dividend rates on members' share accounts are set by the Board of Directors based on an evaluation of current and future market conditions.

Members' Equity: The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends.

Income Taxes: The Credit Union is exempt from federal and state income taxes; accordingly, no income tax expense is reflected in the statements of income for the Credit Union.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as a separate component of members' equity.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and lines of credit, issued to meet member-financing needs. The face amount for these items represents the exposure to loss, before considering collateral or ability to repay. Such financial instruments are recorded when they are funded.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Some items in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

NOTE 2 – ACQUISITION

On May 5, 2005, the Zanesville Armco Employees Credit Union, Inc. was merged into the Credit Union. The transaction was accounted for as a pooling-of-interests. Because the assets and liabilities acquired were not material to the Credit Union, the prior year financial statements have not been restated to include the effect of the Zanesville Armco Employees Credit Union, Inc. merger. The results of operations of Zanesville Armco Employees Credit Union have been included in the Credit Union's statements since the date of the merger.

Below is a summary of the net assets and liabilities at the date of the merger:

Cash and cash equivalents	\$ 898,312
Interest bearing time deposits with financial institutions	698,000
Capital participation certificates	24,484
Loans	1,046,189
Other assets, including premises and equipment	31,484
Shares	(2,347,308)
Other liabilities	(39,723)
Net assets received in merger	\$ 311,438

NOTE 3 – SECURITIES AVAILABLE FOR SALE

The fair values of available-for-sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows.

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
2005			
U.S. government sponsored enterprises	\$ 4,229,286	\$ —	\$ (36,666)
Mortgage-backed	2,259,452	—	(82,728)
Total	\$ 6,488,738	\$ —	\$ (119,394)
2004			
U.S. government sponsored enterprises	\$ 3,234,799	\$ -	\$ (25,111)
Mortgage-backed	3,064,564	-	(32,718)
Mutual funds	3,168,824	109,117	(110,996)
Total	\$ 9,468,187	\$ 109,117	\$ (168,825)

Sales of available-for-sale securities were as follows.

	2005	2004
Proceeds	\$ 3,190,415	\$ 3,497,714
Gross gains	93,302	5,000
Gross losses	(111,883)	(7,681)

In 2004, the Credit Union sold two interest-bearing time deposits with financial institutions prior to maturity for a realized gain of \$2,173, which is combined with the net loss above to total the net loss for the year of \$508 presented in the statement of income.

The fair value of securities at year-end 2005 by contractual maturity were as follows. Securities not due at a single maturity date are shown separately.

	Fair Value
Due in one year or less	\$ 3,232,275
Due from one to five years	997,011
Mortgage-backed	2,259,452
Total	\$ 6,488,738

At year end 2005 and 2004, there were no holdings of securities of any one issuer, other than U.S. government sponsored enterprises, in an amount greater than 10% of members' equity.

Securities with unrealized losses at year-end 2005 and 2004, aggregated by investment category and length of time that individual securities have been in a continuous loss position, were as follows.

Description of Securities	Less than 12 Months	Less than 12 Months	12 Months or More	12 Months or More	Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2005						
U.S. government sponsored enterprises	\$ 997,011	\$ (2,989)	\$ 3,232,275	\$ (33,677)	\$ 4,229,286	\$ (36,666)
Mortgage-backed	—	—	2,259,452	(82,728)	2,259,452	(82,728)
Total temporarily impaired	\$ 997,011	\$ (2,989)	\$ 5,491,727	\$ (116,405)	\$ 6,488,738	\$ (119,394)
2004						
U.S. government sponsored enterprises	\$ 3,234,799	\$ (25,111)	\$ —	\$ —	\$ 3,234,799	\$ (25,111)
Mortgage-backed	3,064,564	(32,718)	—	—	3,064,564	(32,718)
Mutual funds	—	—	208,705	(110,996)	208,705	(110,996)
Total temporarily impaired	\$ 6,299,363	\$ (57,829)	\$ 208,705	\$ (110,996)	\$ 6,508,068	\$ (168,825)

At December 31, 2004, the Credit Union recognized an impairment loss of \$49,900 on a mutual fund that management determined to be other than temporarily impaired. The unrealized loss had not varied over recent changes in interest rates, and as a result, it did not appear that it would recover to the Credit Union's cost basis in a reasonable period of time.

Unrealized losses on U.S. government sponsored enterprises and mortgage-backed securities have not been recognized into income because management has the intent and ability to hold these securities for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates. The fair value is expected to recover as the U.S. government sponsored enterprise securities approach their maturity dates and as the mortgage-backed securities are repaid.

NOTE 4 – LOANS

Loans at year-end were as follows.

	2005	2004
Mortgage	\$ 25,117,543	\$ 20,216,568
Vehicle	24,225,229	17,457,792
Home equity	22,787,679	31,350,739
Unsecured	2,835,974	3,055,260
Credit card	3,113,681	2,707,649
Student	424,301	545,268
Share and other secured	626,358	632,720
Subtotal	79,130,765	75,965,996
Net deferred loan costs	351,767	212,698
Allowance for loan losses	(856,178)	(867,599)
Loans, net	\$ 78,626,354	\$ 75,311,095

Loans to certain employees, directors and committee members totaled approximately \$542,789 and \$600,212 at year-end 2005 and 2004.

Activity in the allowance for loan losses for the year was as follows.

	2005	2004
Beginning balance	\$ 867,599	\$ 815,604
Provision for loan losses	141,430	327,817
Adjustment due to merger	8,434	—
Loans charged-off	(396,466)	(427,579)
Recoveries	235,181	151,757
Ending balance	\$ 856,178	\$ 867,599

Due to the nature of the loan portfolio, no loans were required to be evaluated individually for impairment. Loans on which the accrual of interest has been discontinued or reduced amounted to \$852,618 and \$593,376 at December 31, 2005 and 2004.

NOTE 5 – PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows.

	2005	2004
Land	\$ 294,508	\$ 294,508
Building	3,816,803	3,666,398
Furniture and fixtures	3,274,819	2,877,252
Construction in process	—	15,823
Total	7,386,130	6,853,981
Less accumulated depreciation	(3,603,285)	(3,298,308)
	\$ 3,782,845	\$ 3,555,673

The Credit Union leases certain branch facilities. Rent expense was \$85,464 and \$67,959 for 2005 and 2004. Rent commitments under noncancelable operating leases were as follows, before considering renewal options that generally are present.

2006	\$ 95,016
2007	54,150
2008	29,850
2009	30,600
Total	\$ 209,616

NOTE 6 – MEMBERS' SHARE ACCOUNTS

Year-end members' share accounts were as follows.

	2005	2004
Share drafts (checking)	\$ 14,941,626	\$ 15,745,493
Money markets	9,686,660	10,474,656
Regular shares	43,921,191	46,919,251
Term Certificates (regular and IRA)	26,823,507	19,202,349
Individual retirement accounts	1,227,303	1,401,365
	\$ 96,600,287	\$ 93,743,114

Scheduled maturities of members' share certificate accounts mature as follows.

2006	\$ 18,335,692
2007	5,185,223
2008	1,377,535
2009	750,086
2010	1,174,971
Total	\$ 26,823,507

Members' share certificate accounts in denominations of \$100,000 or more were \$5,716,645 and \$2,669,520 at year-end 2005 and 2004.

NOTE 7 – EMPLOYEE BENEFITS

The Credit Union offers a 401(k) and defined contribution plan for all eligible employees. Eligible employees may contribute a portion of their compensation to the 401(k), up to the allowable limit under the Internal Revenue Code. The Credit Union contributes 5% of each eligible employee's compensation into the defined contribution plan. Employees become 100% vested in employer contributions after five years of service. They are fully vested in their own contributions at all times. Total contribution expense was \$88,339 and \$72,096 for 2005 and 2004.

NOTE 8 – LOAN COMMITMENTS AND RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, and overdraft protection, are issued to meet member financing needs. These are agreements to provide credit or support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtained collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk was as follows at year-end.

	2005	2004
Credit card	\$ 8,544,661	\$ 8,108,622
Home equity	25,869,709	25,820,408
Quick cash	1,475,753	1,407,070
Total	\$ 35,890,123	\$ 35,336,100

At year-end 2005, fixed rate commitments were \$9,881,758 with rates ranging from 6% to 25%. At year-end 2004, fixed rate commitments were \$7,169,105 with rates ranging from 6% to 25%.

At December 31, 2005 and 2004, the Credit Union had lines of credit of \$10,000,000 at Corporate One Federal Credit Union and \$3,000,000 at National City Bank. At December 31, 2005 and 2004, the Credit Union has no borrowings under these agreements.

NOTE 9 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Carrying amounts and estimated fair values of financial instruments were as follows at year-end.

	2005 Carrying Value	2005 Fair Value	2004 Carrying Value	2004 Fair Value
Financial assets				
Cash and cash equivalents	\$ 6,322,220	\$ 6,322,000	\$ 4,903,045	\$ 4,903,000
Interest-bearing time deposits	9,591,676	9,509,000	8,009,405	7,981,000
Securities available for sale	6,488,738	6,489,000	9,468,187	9,468,000
Loans, net	78,626,354	77,332,000	75,311,095	75,982,000
Corporate One and WesCorp capital participation certificates	1,096,495	1,096,000	1,134,898	1,135,000
Member share insurance deposit	1,057,839	1,058,000	1,016,546	1,017,000
Accrued interest receivable	379,261	379,000	314,698	315,000
Financial liabilities				
Members' share accounts	\$ (96,600,292)	\$ (96,282,000)	\$ (93,743,114)	\$ (93,344,000)

The following methods and assumptions were used to estimate fair values for financial instruments. The estimated fair value approximates carrying amount for all items except those described below. Estimated fair value of interest-bearing time deposits with other financial institutions is based upon rates paid at year-end for new time deposits with similar maturities, applied until maturity. Estimated fair value for securities is based on quoted market values for the individual securities or for equivalent securities. Estimated fair value for loans is based on the rates charged at year-end for new loans with similar maturities, applied until the loan is assumed to reprice or be paid. Estimated fair value for fixed-maturity share certificates is based on the rates paid at year-end, applied until maturity. Estimated fair value for other financial instruments and off-balance-sheet loan commitments are considered nominal.

NOTE 10 – CAPITAL REQUIREMENTS

Credit unions are subject to regulatory capital requirements prescribed by a federal regulatory agency. There are five classifications based on the combined result of quarterly net worth and risk-based net worth requirements; well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. The net worth requirement is based on net worth to total assets. The risk-based net worth requirement requires net worth to exceed the sum of various asset categories times risk factors for each category, and must be met (if this requirement exceeds 6%) to be classified as well or adequately capitalized. If classified as adequately capitalized, net worth and the regular reserve account must increase quarterly by .1% of assets. If undercapitalized, a net worth restoration plan must also be filed, and asset growth and business lending are restricted. Additional regulatory actions may be taken at lower capital classifications such as restriction on interest, required merger or liquidation. The current capital classification is well capitalized. At year end 2005 and 2004, the most recent regulatory notifications categorized the Credit Union as well capitalized under the regulatory framework. There were no conditions or events since that notification that management believes have changed the Credit Union’s category.

Actual and required capital amounts and ratios at year-end are presented below.

	Actual Amount	Actual Ratio	Minimum Required to be Well Capitalized Amount	Minimum Required to be Well Capitalized Ratio	Risk-Based Requirement Amount	Risk-Based Requirement Ratio
			(Dollars in thousands)	(Dollars in thousands)		
2005						
Net worth to total assets	\$ 10,384	9.52%	\$ 7,632	7.00%		
Risk-based net worth	10,384	9.52			\$ 5,659	5.19%
2004						
Net worth to total assets	\$ 9,751	9.30%	\$ 7,343	7.00%		
Risk-based net worth	9,751	9.30			\$ 5,643	5.38%


NOTE 11 – OTHER COMPREHENSIVE INCOME

Other comprehensive income components were as follows.

	2005	2004
Unrealized holding gains and (losses) on available-for-sale securities arising during the period	\$ (78,267)	\$ (9,581)
Less reclassification adjustments for (gains) and losses later recognized in income	18,581	52,581
Other comprehensive income (loss)	\$ (59,686)	\$ 43,000



**EQUAL HOUSING
LENDER**
 We do business in accordance with the Federal Fair Housing Law and the Equal Credit Opportunity Act.



ASL
 Your deposits are insured to \$250,000 per account.

This institution is not federally insured.

Members’ accounts are not insured or guaranteed by any government or government-sponsored agency.

Ohio Residents: The Ohio Laws against discrimination require that all creditors make credit equally available to all credit worthy customers, and that credit reporting agencies maintain separate credit histories on each individual upon request. The Ohio Civil Rights Commission administers compliance with this law.

OECU OFFICE LOCATIONS

Main

2554 East 22nd Street
Cleveland, OH 44115
Phone: (216) 621-6296 or (800) 552-6328

Office Hours:

Monday through Thursday: 8:30 AM – 4:30 PM
Friday: 8:30 AM – 6:00 PM
Saturday & Sunday: Closed

Richmond Heights

5233 Wilson Mills Road
Richmond Heights, OH 44143
Phone: (440) 442-1084

Office Hours:

Tuesday through Thursday: 9:00 AM – 5:00 PM
Friday: 9:00 AM – 6:00 PM
Saturday: 8:30 AM – 1:00 PM
Sunday & Monday: Closed

Fairview Park

21895 Lorain Road
Fairview Park, OH 44126
Phone: (440) 895-0762

Office Hours:

Tuesday through Thursday: 9:00 AM – 5:00 PM
Friday: 9:00 AM – 6:00 PM
Saturday: 8:30 AM – 1:00 PM
Sunday & Monday: Closed

Oberlin

22 East College Street
Oberlin, OH 44074
Phone: (440) 775-0037

Office Hours:

Tuesday & Wednesday:
8:30 AM – 4:30 PM
Friday: 8:30 AM – 6:00 PM
Saturday: 8:30 AM – 1:00 PM
Sunday, Monday & Thursday: Closed

Zanesville

1075 Linden Avenue
Zanesville, OH 43701
Phone: (740) 453-1009 or (800) 686-0664

Office Hours:

Monday through Thursday: 8:30 AM – 4:30 PM
Friday: 8:30 AM – 6:00 PM
Saturday: 8:30 AM – 1:00 PM
Sunday: Closed

"Toni" The 24-Hour Touch-Tone Teller

Phone: (216) 696-6600 or (800) 433-8664

24-Hour Loan Service Center

Phone: (800) 552-6328, ext. 5

**Cash withdrawals are available over the counter at
Main and Zanesville offices only.**

OECU OWNED ATM LOCATIONS

OECU Main Office

Drive-Up, Full-Service ATM
2554 East 22nd Street
Cleveland, OH 44115

OECU Richmond Heights Office

Walk-Up, Cash Dispensing ATM
5233 Wilson Mills Road
Richmond Heights, OH 44143

OECU Fairview Park Office

Walk-Up, Full-Service ATM
21895 Lorain Road
Fairview Park, OH 44126

OECU Oberlin Office

Walk-Up, Full-Service ATM
22 East College Street
Oberlin, OH 44074

OECU Zanesville Office

Drive-Up, Full-Service ATM
1075 Linden Avenue
Zanesville, OH 43701

OECU Walk-Up, Cash Dispensing ATM

(Located in St. Vincent Charity Hospital)

2351 East 22nd Street
Cleveland, OH 44115

OECU Walk-Up, Cash Dispensing ATM

(Located in Genesis Healthplex)

2800 Maple Avenue
Zanesville, OH 43701

