

## To Our Shareholders

2015 marks Lanco Federal Credit Union's 50th anniversary. It's incredible to reflect on the fact that Lanco School Employees Federal Credit Union, formed in 1965 to serve the educators of Lancaster County, has grown into a \$74.1 million financial institution, serving all of Lancaster County, with over 10,000 members. I am certain that Gerald Fortney, and all the original Lanco supporters are, or would be, proud of what they created.

During 2014, we considered all that's been accomplished since the credit union's formation, and we focused on the values and characteristics that define Lanco. This guided us to decide it was the perfect time to rebrand Lanco, so we can better represent the importance we place on developing relationships with our members, and remain focused on that value as we begin our next 50 years.

Lanco continually strives to provide banking services that improve the lives of its members. In the past year, Lanco expanded convenience services in a variety of ways, including the relocation of its Mount Joy branch, which added drive-thru service and an ATM. Lanco also joined the Shared Branching network, giving our members access to thousands of credit union locations across the country. Lanco checking accounts became more convenient, with the introduction of same-day debit card replacement and a new mobile banking app.

In addition to new convenience services, Lanco added more ways to reward members. With Lanco's new Kasasa® checking accounts, members continue to enjoy free checking, and now have the added benefit of cash rewards and ATM fee refunds when simple qualifications are met each month. In 2014, we also reconnected with Preferred Business Partners (previously Lanco's Select Employer Groups), and introduced a new program, called Work Perks, which offers special credit union benefits to their employees.



We work hard every day to fulfill our mission of helping our members achieve their life's goals. We celebrate all that's been accomplished in the last 50 years, and are looking forward to continued success and service through the next 50 years.

Stacey M. Remick, Chief Executive Officer

## Agenda

### March 14, 2015

1. Call to Order
  - A. Determine a Quorum
  - B. Reading of Minutes
2. Reports
  - A. Board Chair
  - B. Supervisory Committee
  - C. Treasurer
  - D. CEO
3. Election
4. Question & Answer Period
6. Call for Adjournment

Following the meeting, please join us for an evening of fun and dancing to celebrate our 50<sup>th</sup> anniversary! Prize drawings will be held approximately every half hour. The celebration will end at 10:00 p.m.

## Volunteers

### Board of Directors

Robert Steinruck, Chair  
Donald Raymond, Vice Chair  
Lois Greenawalt, Secretary  
Denise Williams, Treasurer  
Dr. Freeman Chakara, Director  
H. Scott Gillespie, Director  
Phyllis Peters, Director  
Joyce Rebman, Director  
Dr. Lloyd Ruoss, Director  
David Nace, Associate Director  
Philip Harnish, Associate Director

### Supervisory Committee

Phyllis Peters, Chair  
Eric Christiansen, Secretary  
Patrick McCaskey, Volunteer  
James Risser, Volunteer  
Wayne Silcox, Volunteer  
Dr. John Smith, Volunteer

## Our Mission

*to help members achieve their life's goals by promoting financial health and providing affordable access to credit*

## Locations

Lancaster	Mount Joy	Brownstown	Willow Street
349 W Roseville Rd Lancaster, PA 17601	974 E Main St Mount Joy, PA 17552	4213 Oregon Pike Ephrata, PA 17522	2516 Willow Street Pike N Willow Street, PA 17584

lancofcu.com (717) 569-7180



We bank on relationships.

# 2014 ANNUAL REPORT

1965–2015  
Celebrating 50 Years

This credit union is federally insured by the National Credit Union Administration.

## Chair's Report

2014 was a successful year for Lanco Federal Credit Union, with our financial performance continuing to improve. Member shares grew 5% and loan balances grew 11.5%.

Total operating earnings increased by nearly 13%, largely due to increased loan demand. Costs associated with increased loan volume, paired with other rising costs, resulted in a 14% increase in total operating expenses.

Lanco's 2014 Net Income increased by 16%, with over \$391,000 being added to Lanco's capital. This further improves the level of safety and soundness provided to the membership.

The growth and success that Lanco enjoys is the product of talented staff and dedicated volunteers. Our goal is to provide the best products and services to meet our members' needs. With this goal in mind, the Mount Joy branch was re-located to a full service location, and several new offerings were made available to the membership.

We celebrate the loyalty of Lanco's membership, volunteers, and employees over the last 50 years. This is a true demonstration of the credit union philosophy of *People Helping People*.

*Robert Steinruck, Board Chair*

## Supervisory Committee Report

The supervisory committee is responsible for ensuring that the Board of Directors and management of Lanco Federal Credit Union meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets.

At the annual reorganizational meeting on March 19, 2014, I was appointed to a sixth term as Chair of the supervisory committee. In 2014, the supervisory committee expanded to six members, with John Smith, Eric Christiansen, Jim Risser, Patrick McCaskey, and Wayne Silcox also serving as volunteers.

In 2014, the committee met 12 times and performed 26 audits. The CPA firm of Reinsel Kuntz Leshner was retained to perform the supervisory committee financial audit, and the committee is pleased to report that the National Credit Union Administration's (NCUA) most recent examination, as of December 31, 2013, has found your credit union to be in good financial standing.

*Phyllis Peters, Supervisory Committee Chair*

## Consolidated Balance Sheet

ASSETS	2013	2014
<b>TOTAL LOANS</b>	<b>36,959,478</b>	<b>41,252,546</b>
Allowance for Loan Loss	(228,503)	(300,290)
Collateral in Process of Liquidation	11,000	18,923
<b>NET LOANS</b>	<b>36,741,975</b>	<b>40,971,179</b>
Cash and Receivables	578,415	801,924
Investments	29,920,718	29,296,653
Prepays	216,315	460,237
Fixed Assets	1,908,419	1,815,697
Accrued Income	130,175	167,572
NCUSIF	677,361	670,857
<b>TOTAL ASSETS</b>	<b>70,173,378</b>	<b>74,184,119</b>

### LIABILITIES

<b>TOTAL LIABILITIES</b>	<b>147,648</b>	<b>148,555</b>
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### EQUITY

Shares	27,827,306	28,750,815
Money Market	16,052,129	16,578,570
Share Certificates	5,353,556	5,226,384
Share Drafts	11,191,302	13,094,913
IRA Shares	2,726,671	3,018,811
IRA Certificates	1,785,971	1,652,942
<b>TOTAL DEPOSITS</b>	<b>64,936,935</b>	<b>68,322,435</b>
Regular Reserves	933,117	933,117
Undivided Earnings	4,082,082	4,431,217
Unrealized Gain (Loss) on Securities	(262,640)	(42,663)
Transfer Account	0	0
Net Income (Loss)	336,235	391,458
<b>TOTAL EQUITY</b>	<b>70,025,729</b>	<b>74,035,564</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>70,173,377</b>	<b>74,184,119</b>

## Consolidated Statement of Income

OPERATING INCOME	2013	2014
Income from Loans	1,981,156	2,304,652
Income from Investments	270,758	304,277
Other Income	917,934	970,521
<b>TOTAL OPERATING INCOME</b>	<b>3,169,848</b>	<b>3,579,450</b>

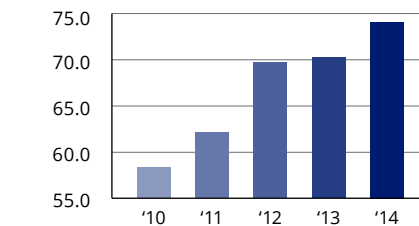
### OPERATING EXPENSES

Compensation and Benefits	1,195,785	1,260,012
Office Maintenance	204,754	210,602
Office Operating	308,967	327,543
Marketing	58,908	132,347
Loan Servicing	274,640	356,587
Professional/Outside Services	285,823	291,683
Provision for Loan Loss	115,690	269,815
Provision for Overdraft Protection Loss	10,575	21,236
NCUA Stabilization	67,089	0
Other	190,788	223,663
<b>TOTAL OPERATING EXPENSES</b>	<b>2,713,019</b>	<b>3,093,488</b>
<b>NET OPERATING INCOME</b>	<b>456,829</b>	<b>485,962</b>

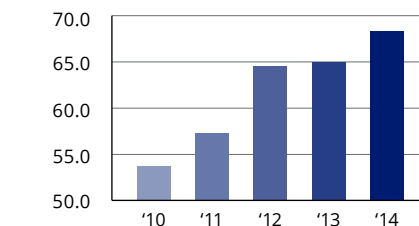
### NON-OPERATING INCOME

Non-Operating Income	0	0
Gain (Loss) on Investments	(1,245)	0
Corporate Write Down	0	0
Gain on Asset Disposition	0	0
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<b>(1,245)</b>	<b>0</b>
<b>DIVIDENDS PAID</b>	<b>120,595</b>	<b>94,504</b>
<b>NET INCOME</b>	<b>336,234</b>	<b>391,458</b>

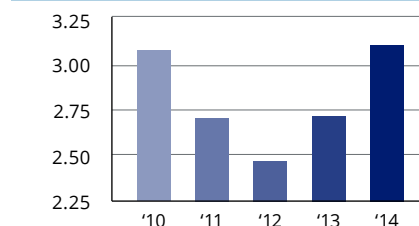
## Assets (Millions \$)



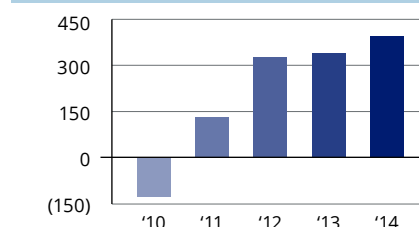
## Total Deposits (Millions \$)



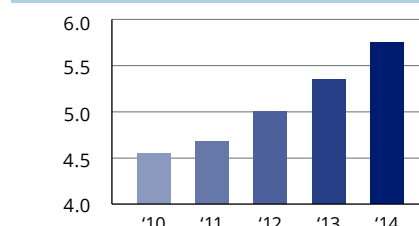
## Operating Expenses (Millions \$)



## Net Income (Thousands \$)



## Capital (Millions \$)



## Treasurer's Report

Lanco had another successful year, ending 2014 with a net income of \$391,458 which resulted in a net worth ratio of 7.76%. Total investments decreased by 2% to \$29,296,653 while loan balances increased by 11.5% to \$40,971,179. Assets grew 6% to \$74,184,119, and shares increased by 5% to \$68,322,435.

Lanco's return on average assets or ROA was 0.54%. ROA measures how efficient management is at using its assets to generate earnings. Our loan to share ratio, measuring how much of our shares are used to fund loans, was 60.41%. The ratio of delinquent loans to total loans was 0.52%, and operating expenses to gross income, measuring efficiency in the cost of operations, was 78.89%.

The composition of Lanco's investments portfolio, excluding overnight balances, is \$12 million in corporate CDs yielding 0.99%, \$5.2 million in US government agencies yielding 2.07%, and \$4.2 million in mortgage-backed securities yielding 1.37%.

*Denise L. Williams,  
Treasurer/Chief Financial Officer*