

To Our Shareholders

Lanco Federal Credit Union experienced steady member growth throughout 2015, resulting in an increase of 1.05%. I believe this growth can be attributed to Lanco FCU's efforts in 2014, including the introduction of Kasasa accounts, participation in the CO-OP Shared Branching network, and the introduction of mobile check deposit. As these new accounts and services have picked up momentum, they've not only brought increased benefits to Lanco FCU members—they brought new members to Lanco FCU.

In addition to the overall membership growth, we are pleased to share that we've specifically seen an increase in members ages 30 and younger. This is great news, signaling that the message of the credit union difference is reaching young people, and it's resonating. With Lanco FCU's beginnings as a credit union by and for educators, it should come as no surprise that we remain committed to youth education and financial literacy. Lanco FCU staff can often be found in Lancaster County schools, hosting Financial Reality Fairs and teaching Junior Achievement classes. We are thrilled to have opened a student-run branch in Conestoga Valley High School at the start of the 2015 school year. We are grateful for the opportunities this brings to connect with students and faculty, such as mentoring student interns and presenting lessons on financial literacy within the classrooms.

During 2015, Lanco FCU also focused on strengthening and expanding its relationships within the Lancaster County business community. Lanco FCU's WorkPerks program has become a popular offering, with many local employers extending Lanco FCU membership as part of their benefits package. Lanco FCU also had great success in the area of business lending, having formed valuable relationships that continue to result in referrals.



To all our members, I thank you for your loyalty and support of your credit union. We work hard every day to fulfill our mission of helping our members realize their goals. It is my honor to serve you, and I look forward to Lanco FCU's continued growth and success in the coming year.

Stacey M. Hankey, Chief Executive Officer

Agenda

March 10, 2016

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

At the conclusion of the meeting, prize drawings will be held for all eligible members in attendance.

Following the meeting, we invite you to remain seated to enjoy a showing of the feature film "Zootopia."

Volunteers

Board of Directors

H. Scott Gillespie, Chair
Robert Steinruck, Vice Chair
Joyce Rebman, Secretary
Denise Williams, Treasurer
Dr. Freeman Chakara, Director
Philip Harnish, Director
David Nace, Director
Dr. Lloyd Ruoss, Director
Phyllis Peters, Director
James Brubaker, Associate Director
Ryan Davidson, Associate Director
Dr. Karan Miller, Associate Director
Donald Raymond, Associate Director

Supervisory Committee

Phyllis Peters, Chair
Patrick McCaskey, Secretary
James Risser, Volunteer
Wayne Silcox, Volunteer
Dr. John Smith, Volunteer
Janis VanDeusen, Associate 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.

2015 ANNUAL REPORT

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

Chair's Report

2015 was a successful year for Lanco Federal Credit Union. Membership increased by 1.05%, member shares grew by nearly 4% and loan balances grew 6.78%. These are all indications that your credit union is positioned to thrive in the coming years.

Lanco FCU's Net Worth increased by 2.59%, with \$149,034 being added to Lanco FCU's capital in 2015. This further improves the level of safety and soundness provided to the membership. You may notice that Net Income was significantly less in 2015 than in 2014. This decrease was due to higher expenses relating to new programs and service offerings, while demand for loans was lower than anticipated. Ultimately, those expenses were investments into the credit union, positioning Lanco FCU to better serve its membership now and into the future.

The growth and success that Lanco FCU enjoys is the product of talented staff, dedicated volunteers, and wonderful members. Guided by the credit union philosophy of *People Helping People*, Lanco FCU remains committed to the well-being of its membership.

H. Scott Gillespie, 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.

In 2015, I was appointed to a seventh term as Chair of the Supervisory Committee. Also on the Supervisory Committee serving as member volunteers were John Smith, Jim Risser, Patrick McCaskey and Wayne Silcox.

The committee met 11 times and performed 26 audits in 2015. 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, 2015, has found your credit union to be in good financial standing.

Phyllis Peters, Supervisory Committee Chair

Consolidated Balance Sheet

ASSETS	2014	2015
TOTAL LOANS	41,252,546	44,060,455
Allowance for Loan Loss	(300,290)	(307,555)
Collateral in Process of Liquidation	18,923	10,325
NET LOANS	40,971,179	43,763,225
Cash and Receivables	801,924	1,057,684
Investments	29,296,653	29,244,828
Prepays	460,237	419,132
Fixed Assets	1,815,697	1,762,364
Accrued Income	167,572	136,971
NCUSIF	670,857	686,573
TOTAL ASSETS	74,184,119	77,070,777

LIABILITIES

TOTAL LIABILITIES	148,555	193,567
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EQUITY

Shares	28,750,815	30,492,788
Money Market	16,578,570	15,795,553
Share Certificates	5,226,384	5,082,749
Share Drafts	13,094,913	15,159,798
IRA Shares	3,018,811	2,970,309
IRA Certificates	1,652,942	1,520,119
TOTAL DEPOSITS	68,322,435	71,021,317
Regular Reserves	933,117	933,117
Undivided Earnings	4,431,217	4,822,675
Unrealized Gain (Loss) on Securities	(42,663)	(48,933)
Transfer Account	0	0
Net Income (Loss)	391,458	149,034
TOTAL EQUITY	74,035,564	76,877,210
TOTAL LIABILITIES AND EQUITY	74,184,119	77,070,777

Consolidated Statement of Income

OPERATING INCOME	2014	2015
Income from Loans	2,304,652	2,411,676
Income from Investments	304,277	328,329
Other Income	970,521	982,606
TOTAL OPERATING INCOME	3,579,450	3,722,611

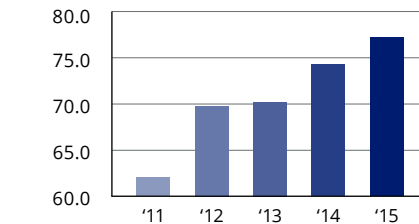
OPERATING EXPENSES

Compensation and Benefits	1,260,012	1,334,729
Office Maintenance	210,602	256,903
Office Operating	327,543	433,625
Marketing	132,347	190,763
Loan Servicing	356,587	410,521
Professional/Outside Services	291,683	287,960
Provision for Loan Loss	269,815	210,325
Provision for Overdraft Protection Loss	21,236	11,810
NCUA Stabilization	0	0
Other	223,663	336,291
TOTAL OPERATING EXPENSES	3,093,488	3,472,927
NET OPERATING INCOME	485,962	249,684

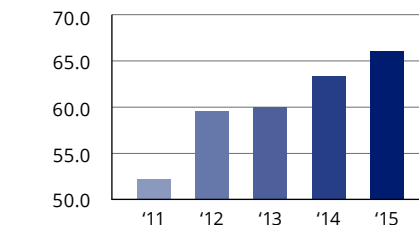
NON-OPERATING INCOME

Non-Operating Income	0	(8,566)
Gain (Loss) on Investments	0	0
Corporate Write Down	0	0
Gain on Asset Disposition	0	0
TOTAL NON-OPERATING INCOME (EXPENSE)	0	(8,566)
DIVIDENDS PAID	94,504	100,650
NET INCOME	391,458	149,034

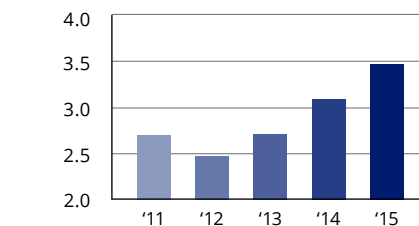
Assets (Millions \$)



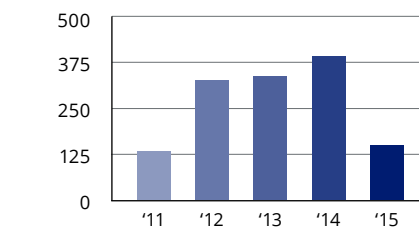
Total Deposits (Millions \$)



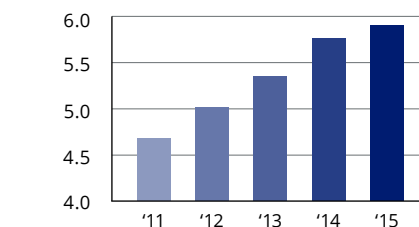
Operating Expenses (Millions \$)



Net Income (Thousands \$)



Capital (Millions \$)



Treasurer's Report

I am pleased to report that 2015 was a successful year for Lanco FCU, with growth in loans and membership.

Lanco FCU's primary source of earnings comes from lending. In 2015, loan balances increased by 6.78% to \$43,763,225, allowing investment balances to remain flat at \$29,244,828. The composition of Lanco FCU's investments portfolio is \$9,749,617 in cash and overnight accounts yielding 0.20%, \$8,714,000 in Corporate Certificates of Deposit yielding 1.02%, \$3,514,243 in U.S. Government Agencies yielding 1.30%, and \$7,266,968 in Mortgage-Backed Securities yielding 1.92%.

Net income for 2015 was \$149,034, which resulted in a net worth ratio of 7.66%. Assets grew 3.89% to \$77,070,777, and shares increased by 3.95% to \$71,021,317. Lanco FCU's loans to share ratio, which measures the portion of our shares used to fund loans, was 62.05%. Lanco FCU's delinquency ratio was 1.06%, meaning that \$467,150 out of \$44,070,780 in loan balances were 61 days or more delinquent at year-end.

Total operating income increased by 4%, while total operating expenses increased by 12%. As mentioned by the Board of Directors Chair, expenses increased due to the introduction of new products and services.

Thank you for your continued support of our efforts to ensure the long-term success of your credit union.

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