

To Our Shareholders

It's always interesting to reflect upon each year and see how much Lanco Federal Credit Union continues to grow and change. Even just looking back to 2012, the year I became CEO, it's pretty amazing to see how different, and yet the same, the credit union is now compared to then.

For nearly a decade, Lanco FCU's asset size was increasing, but our membership size was decreasing. While it was nice to see our members accumulating wealth, we knew this meant we weren't reaching the members of the community that credit unions were designed to serve—those with modest to moderate means. Recognizing this, we started to make significant changes in order to best serve the membership. Lanco FCU executed a complete overhaul of our brand, checking accounts, and convenience services, and we relocated two of our branches.

As those changes have set in, we've seen members respond in a very positive way. We have experienced a second consecutive year of membership growth, with members much more engaged with the credit union. While keeping rates competitive and services free, we are now giving back to our members like never before. In fact, I'm proud to say that we paid our members \$147,994 in Kasasa rewards in 2016—that's an average of \$71.46 per member with a Kasasa checking account.

Lanco FCU's mission is to help our members achieve their life goals by promoting financial health and providing affordable access to credit. I believe that we are more successful than ever in fulfilling this mission. Lanco FCU funded over \$26 million in loans throughout 2016, with over \$7.7 million of this total being lent to small businesses in Lancaster County. With current loan balances at an average interest rate of 6.15%, our membership has access to the financing that they need at a rate that's fair and saves them money.



To all of our members, I thank you for your loyalty and support of your credit union. We work hard every day to help 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, President/Chief Executive Officer

Agenda

March 9, 2017

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 "The LEGO Batman Movie."

Volunteers

Board of Directors

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

Supervisory Committee

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

Our Mission

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

Locations

Lancaster

349 W Roseville Rd
Lancaster, PA 17601

Mount Joy

974 E Main St
Mount Joy, PA 17552

Brownstown

4213 Oregon Pike
Ephrata, PA 17522

Willow Street

2516 Willow Street Pike N
Willow Street, PA 17584

lancofcu.com (717) 569-7180



We bank on relationships.

2016 ANNUAL REPORT

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

Chair's Report

I am pleased to report that 2016 was another successful year for Lanco Federal Credit Union. We have now seen two consecutive years of membership growth, with an increase of 1.49% in 2016. We attribute this growth to the investments Lanco FCU made in new product and service offerings throughout 2014 and 2015. We are continuing to see the benefits of those investments in the form of members increasingly referring family and friends to join the credit union.

In addition to membership growth, our members' shares grew by 8.57% and loan balances grew 3.33%. These are all indications that your credit union is positioned to thrive in the coming years.

The growth and success that the credit union enjoys is the product of its talented staff, dedicated volunteers, and wonderful members. Guided by the cooperative principles and philosophy of People Helping People, Lanco FCU remains committed to its mission and 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 2016, I was appointed to an eighth term as Chair of the Supervisory Committee. Also on the Supervisory Committee serving as member volunteers were Dr. John Smith, Patrick McCaskey, Wayne Silcox and Janis VanDeusen.

The committee met 10 times and performed 23 audits in 2016. The auditing firm of Feather CU Services, LLC 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	2015	2016
TOTAL LOANS	44,060,455	45,538,114
Allowance for Loan Loss	(307,555)	(373,694)
Allowance for Overdraft Privilege	0	(4,240)
NET LOANS	43,752,900	45,160,180
Cash and Receivables	1,057,684	1,129,307
Investments	29,244,828	34,033,209
Prepays	419,132	338,037
Fixed Assets	1,762,364	1,724,638
Accrued Income	136,971	190,559
NCUSIF	686,573	756,525
TOTAL ASSETS	77,060,452	83,332,455

LIABILITIES

TOTAL LIABILITIES	193,567	156,844
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EQUITY

Shares	30,492,788	35,230,371
Money Market	15,795,553	15,456,392
Share Certificates	5,082,749	4,602,034
Share Drafts	15,159,798	17,937,826
IRA Shares	2,970,309	2,343,934
IRA Certificates	1,520,119	1,534,847
TOTAL DEPOSITS	71,021,317	77,105,404
Regular Reserves	933,117	933,117
Undivided Earnings	4,822,675	4,971,709
Unrealized Gain (Loss) on Securities	(48,933)	(50,857)
Transfer Account	0	0
Net Income (Loss)	149,034	216,238
TOTAL EQUITY	76,877,210	83,175,611
TOTAL LIABILITIES AND EQUITY	77,070,777	83,332,455

Consolidated Statement of Income

OPERATING INCOME	2015	2016
Income from Loans	2,411,676	2,584,025
Income from Investments	328,329	368,984
Other Income	982,606	1,123,366
TOTAL OPERATING INCOME	3,722,611	4,076,375

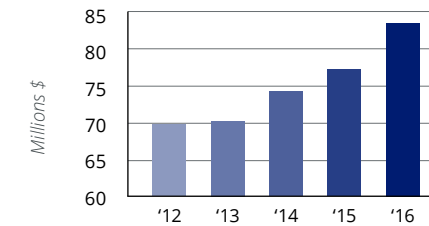
OPERATING EXPENSES

Compensation and Benefits	1,334,729	1,389,705
Office Maintenance	256,903	256,664
Office Operating	433,625	588,070
Marketing	190,763	121,582
Loan Servicing	410,521	451,417
Professional/Outside Services	287,960	264,036
Provision for Loan Loss	210,325	360,941
Provision for Overdraft Protection Loss	11,810	15,064
NCUA Stabilization	0	0
Other	336,291	291,255
TOTAL OPERATING EXPENSES	3,472,927	3,738,734
NET OPERATING INCOME	249,684	337,641

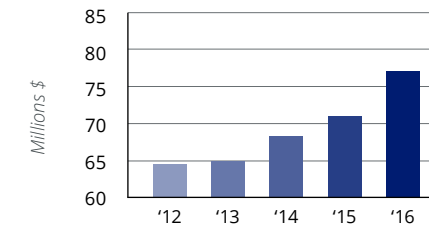
NON-OPERATING INCOME

Non-Operating Income	(8,566)	0
Gain (Loss) on Investments	0	0
Corporate Write Down	0	0
Gain on Asset Disposition	0	18,594
TOTAL NON-OPERATING INCOME (EXPENSE)	(8,566)	18,594
DIVIDENDS PAID	100,650	121,403
NET INCOME	149,034	216,238

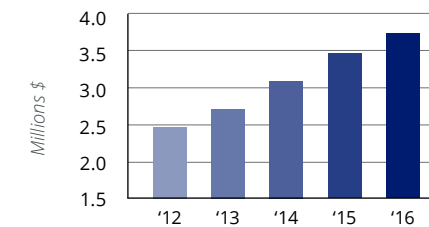
Assets



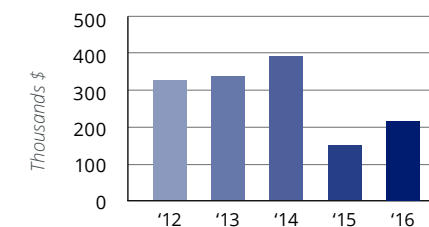
Total Deposits



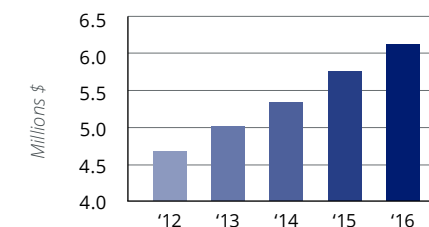
Operating Expenses



Net Income



Capital



Treasurer's Report

Lanco FCU's primary source of earnings comes from lending. Lanco FCU has an extensive array of loan products to help members with their commercial and consumer needs. In 2016, interest income from loans increased 7.15% to \$2,584,025, reaching net loan balances of \$45,160,180, an increase of 3.33% from the prior year.

Investment balances grew to \$34,033,209, an increase of 16.37%. The composition of Lanco FCU's investments portfolio is \$13,214,461 in overnight accounts yielding 0.50%, \$8,479,000 in Corporate Certificates of Deposit yielding 1.10%, \$4,295,000 in U.S. Government Agencies yielding 1.37%, and \$7,456,375 in Mortgage-Backed Securities yielding 1.70%.

Net income for 2016 was \$216,238, which resulted in a net worth ratio of 7.35%. Assets grew 8.12% to \$83,332,455, and shares increased by 8.57% to \$77,105,404. Lanco FCU's loans to share ratio, which measures the portion of our shares used to fund loans, was 59.06%. Lanco FCU's delinquency ratio was 0.61%, meaning that \$208,247 out of \$45,538,114 in loan balances were 61 days or more delinquent at year-end.

Total operating income increased by 9.50%, while total operating expenses increased by 7.65%. As mentioned by the Board of Directors Chair, your credit union, Lanco FCU, is positioned to thrive in the coming years. 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