

To Our Shareholders



I am very proud to report that 2017 was an excellent year at Lanco Federal Credit Union.

Much of 2017 was spent preparing for the major technology upgrade that Lanco FCU implemented on January 30, 2018. This upgrade involved a conversion from our prior core-processing system to a more robust system which will better support the growth of your credit union.

The conversion process requires over nine months to complete, as it involves extensive testing and data validation. According to our technology provider, Lanco FCU's conversion was among the smoothest they've ever seen, with no major data issues. I am extremely proud of the Lanco FCU staff and grateful for their extra efforts and teamwork which made the success of this conversion possible.

Following the conversion, several new services have been introduced, including Bill Payer in the Lanco FCU app and additional features within Online Banking. The conversion has also allowed us to launch a long-requested loan product, and we are pleased to now offer Interest-Only Home Equity Lines of Credit.

In addition to the technology upgrade, Lanco FCU unveiled a redesigned website in 2017 that is now mobile-friendly—a change that was long overdue, as we regularly hear from members who use only a mobile device for internet access.

Lanco FCU's mission is to help our members achieve their life goals by promoting financial health and providing affordable access to credit. With current loan balances at an average interest rate of 5.85%, our membership has access to the financing that they need at a rate that's fair and saves them money. In fact, 2017 brought loan growth of 7.69% compared to 2016. It makes me happy to know that our members are choosing Lanco FCU and keeping more in their pockets as a result.

To all 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 14, 2018

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 Ephrata Performing Arts Center's "Peter and the Starcatcher."

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
Phyllis Peters, Director
Michael Boyles, Associate Director

Supervisory Committee

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

2017 ANNUAL REPORT

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

Chair's Report

I am pleased to report that 2017 was a successful year for Lanco Federal Credit Union. Lanco FCU saw membership growth for the third consecutive year, with our members' shares growing by 3.33% and loan balances growing by 7.69%. These are indications that your credit union is positioned to thrive in the coming years.

Throughout 2017 Lanco FCU focused its efforts on a major technology upgrade. The upgrade provided member-facing improvements, as well as efficiencies in the operations of the credit union. This upgrade was essential to Lanco FCU's future growth, and we are excited to have a core system that is able to grow with your growing credit union.

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 2017, I was appointed to a ninth term as Chair of the Supervisory Committee. Also on the Supervisory Committee serving as member volunteers were John Smith, Patrick McCaskey, Wayne Silcox and Janis VanDeusen.

The committee met 12 times and performed 31 audits in 2017. 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 June 30, 2017, has found your credit union to be in good financial standing.

Phyllis Peters, Supervisory Committee Chair

Consolidated Balance Sheet

| ASSETS | 2016 | 2017 |
|-----------------------------------|-------------------|-------------------|
| TOTAL LOANS | 45,538,114 | 49,038,132 |
| Allowance for Loan Loss | (373,694) | (461,573) |
| Allowance for Overdraft Privilege | (4,240) | (4,460) |
| NET LOANS | 45,160,180 | 48,572,099 |
| Cash and Receivables | 1,129,307 | 1,300,975 |
| Investments | 34,033,209 | 32,997,923 |
| Prepays | 338,037 | 412,387 |
| Fixed Assets | 1,724,638 | 1,877,098 |
| Accrued Income | 190,559 | 196,874 |
| NCUSIF | 756,525 | 805,625 |
| TOTAL ASSETS | 83,332,455 | 86,162,981 |

LIABILITIES

| | | |
|--------------------------|----------------|----------------|
| TOTAL LIABILITIES | 156,844 | 182,179 |
|--------------------------|----------------|----------------|

EQUITY

| | | |
|--------------------------------------|-------------------|-------------------|
| Shares | 35,230,371 | 38,290,003 |
| Money Market | 15,456,392 | 15,099,335 |
| Share Certificates | 4,602,034 | 4,393,849 |
| Share Drafts | 17,937,826 | 18,211,977 |
| IRA Shares | 2,343,934 | 2,425,073 |
| IRA Certificates | 1,534,847 | 1,250,575 |
| TOTAL DEPOSITS | 77,105,404 | 79,670,812 |
| Regular Reserves | 933,117 | 933,117 |
| Undivided Earnings | 4,971,709 | 5,187,947 |
| Unrealized Gain (Loss) on Securities | (50,857) | (128,289) |
| Transfer Account | 0 | 0 |
| Net Income (Loss) | 216,238 | 317,215 |
| TOTAL EQUITY | 83,175,611 | 85,980,802 |
| TOTAL LIABILITIES AND EQUITY | 83,332,455 | 86,162,981 |

Consolidated Statement of Income

| OPERATING INCOME | 2016 | 2017 |
|-------------------------------|------------------|------------------|
| Income from Loans | 2,584,025 | 2,829,144 |
| Income from Investments | 368,984 | 443,729 |
| Other Income | 1,123,366 | 1,198,650 |
| TOTAL OPERATING INCOME | 4,076,375 | 4,471,523 |

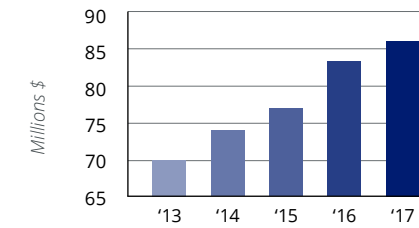
OPERATING EXPENSES

| | | |
|---|------------------|------------------|
| Compensation and Benefits | 1,389,705 | 1,536,305 |
| Office Maintenance | 256,664 | 263,472 |
| Office Operating | 588,070 | 620,931 |
| Marketing | 121,582 | 127,286 |
| Loan Servicing | 451,417 | 443,374 |
| Professional/Outside Services | 264,036 | 225,954 |
| Provision for Loan Loss | 360,941 | 467,262 |
| Provision for Overdraft Protection Loss | 15,064 | 19,979 |
| NCUA Stabilization | 0 | 0 |
| Other | 291,255 | 331,771 |
| TOTAL OPERATING EXPENSES | 3,738,734 | 4,036,334 |
| NET OPERATING INCOME | 337,641 | 435,189 |

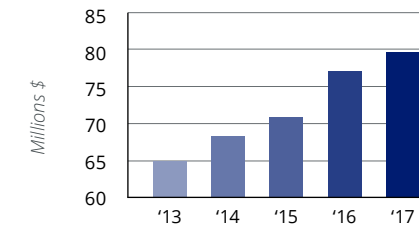
NON-OPERATING INCOME

| | | |
|---|----------------|----------------|
| Non-Operating Income | 0 | 0 |
| Gain (Loss) on Investments | 0 | 0 |
| Corporate Write Down | 0 | 0 |
| Gain on Asset Disposition | 18,594 | 26,158 |
| TOTAL NON-OPERATING INCOME (EXPENSE) | 18,594 | 26,158 |
| DIVIDENDS PAID | 121,403 | 117,974 |
| NET INCOME | 216,238 | 317,215 |

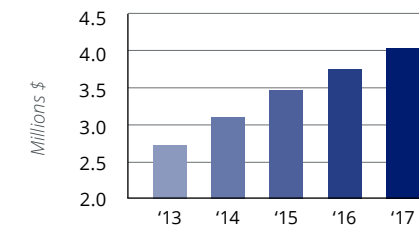
Assets



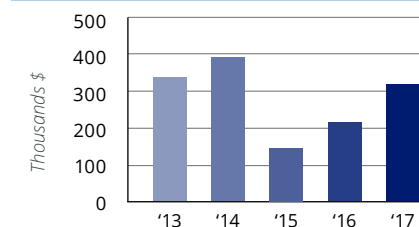
Total Deposits



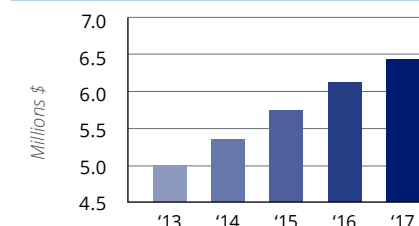
Operating Expenses



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 2017, interest income from loans increased 9.48% to \$2,829,144 reaching net loan balances of \$49,038,132, an increase of 7.69% from the prior year.

Investment balances were \$32,997,923, a decrease of 3.04%. The composition of Lanco FCU's investments portfolio is \$8,218,555 in overnight accounts yielding 1.40%, \$4,000,000 in a 30-day overnight account yielding 1.45%, \$8,924,000 in Corporate Certificates of Deposit yielding 1.44%, \$4,795,000 in U.S. Government Agencies yielding 1.42%, and \$5,727,791 in Mortgage-Backed Securities yielding 1.75%

Net income for 2017 was \$317,215, which resulted in a net worth ratio of 7.47%. Assets grew 3.40% to \$86,162,980, and shares increased by 3.33% to \$79,670,812. Lanco FCU's loans to share ratio, which measures the portion of our shares used to fund loans, was 61.55%. Lanco FCU's delinquency ratio was 0.85%, meaning that \$417,295 out of \$49,038,132 in loan balances were 61 days or more delinquent at year-end.

Total operating income increased by 9.69%, while total operating expenses increased by 7.62%. 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