

TREASURER'S REPORT

During 2019, LOC Federal Credit Union continued its commitment of providing superior products to our members while maintaining a strong financial position. LOC maintained a competitive edge by offering our members low-rate loans to help them improve their own financial positions. We are pleased to serve nearly 25,000 members and their families. Assets grew by 5.2% and ended the year at \$227 million due to a strong economy and more competitive interest rate offerings by LOC. Loans increased by nearly \$7.7 million over 2018. This growth occurred primarily in home equity loans, which saw a 56% increase over 2018. First mortgages through our partnership with Mortgage Center also saw a dramatic increase with more than \$14 million in originations, a 173% increase from 2018. We issued 15,368 loans in 2019, representing approximately \$40 million bringing our total loans outstanding to nearly \$125 million. I would like to extend appreciation to our members for your support and the confidence you place in LOC when choosing us for your financial needs.

Dale Countegan
Treasurer

SUPERVISORY COMMITTEE REPORT

It is the bylaw-mandated function of this committee to carry out a financial statement audit by a licensed firm. This was accomplished through the services of the experienced auditing firm of Plante Moran, PLLC as of September 30, 2019. It is the unanimous opinion of this committee that the statements contained in the report fairly represent the condition of the credit union at this time, and further that it continues to be operated in a sound and professional manner.

THE OFFICIAL TEAM

Board of Directors


Michael Lasley, Chairman
David Drake, Vice Chairman
Dale Countegan, Treasurer
Paul Hain, Secretary
Kurt David
Richard Lampi
Patrick Monti

Supervisory Committee

David Drake, Chairman
Michael Connolly
Dennis S. Green
Domenic Lauria
Jon Vondrasek

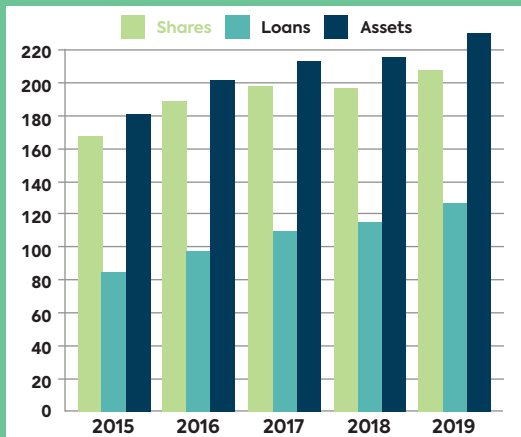
Leadership

Stephen P. Grech, President/CEO
Kari Ciaramitaro, Executive Vice President
Marc Buchanan, Chief Marketing Officer
Kim Hagstrom, Chief Financial Officer
Sheryl Taylor, Chief Operations Officer
Karla Walker, Chief Lending Officer



ANNUAL REPORT

FOR YEAR ENDING DECEMBER 31, 2019




Five-Year Comparison
In Millions

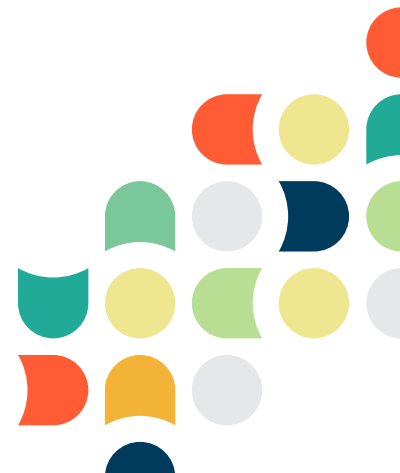
800.837.4562
loccreditunion.com

FARMINGTON | 22981 Farmington Road | Farmington, MI 48336

HOWELL | 3020 E. Grand River Avenue | Howell, MI 48843

HARTLAND | 10002 Highland Road | Hartland, MI 48353

 Federally Insured by NCUA



CHAIRMAN'S REPORT

Transition and transformation are two key words that defined LOC Federal Credit Union in 2019. The year began with the departure of our CEO and ended with the announcement of Stephen Grech as our new President/CEO, who joined the LOC Team in February 2020. The Board of Directors would like to acknowledge and thank LOC's Executive Vice President Kari Ciaramitaro for leading the Credit Union as its Interim CEO during 2019.

In March, our Farmington office began its transformation as we started a massive renovation project that changed the footprint of our operations and consolidated branch activity to the north side of our building. Phase one of the renovation included improved security, member privacy, and operational enhancements to more efficiently serve our members.

The reopening of branch operations in August also coincided with our rebranding initiative that introduced a refreshed logo, tagline, corporate color scheme, and positioning.

Phase two of the Farmington renovation was completed in December and included a large community and training room that will be available for community use upon request. Member response to both the rebranding and renovation has been overwhelmingly positive.

In addition to the Farmington renovation, last year included many initiatives to improve member service and value such as:

- New deposit-automated ATMs at Howell and Hartland
- New account opening solution, which will be extended to online in early 2020
- Implementation of a platform that allows members to communicate with us via text message
- Evaluation of a new digital banking platform to provide a consistent experience regardless of the device used
- Implementation of digital wallets for Apple Pay, Samsung Pay, and Google Pay
- Enhancements to our loan program including the introduction of a Credit Review Program that allows our team to analyze a member's full financial picture and provide suggestions, tips, and ideas for ways to save money.

Even with these significant investments, I am pleased to announce that LOC achieved record net income of nearly \$2.8 million in 2019. This is the seventh consecutive year for net income growth, and maintaining strong earnings year-over-year helps strengthen our capital position and allows us to continue to reinvest in our organization to best serve our members.

Looking toward the future, the Board of Directors and Senior Leadership team met for a weekend in early November to develop a more comprehensive strategic plan. Three major themes evolved from that session:

- Branch/Facilities
- Technology
- Growth and Expansion

There are a number of tactics that fall under each theme that LOC will explore over the next 12 to 24 months. In summary, we are looking at who we can serve, how we can serve them, and where we physically serve them.

By year-end, members can expect to see a fully-renovated Howell branch offering more privacy and efficiency and continued progress on a new digital banking offering for members.

As LOC begins its 70th year of serving members, the Board of Directors is excited about what the future holds for our organization. Most importantly, we want to thank you for your continued support of LOC Federal Credit Union.

Best regards,

Michael Lasley
Board Chairman

*Let's win.
Together.*

Financial Report as of December 31, 2019

Balance Sheet

Assets	2019	2018
Loans	\$124,496,559	\$116,797,375
Allowance	(457,308)	(394,758)
Cash	1,595,277	1,402,079
Investments	85,842,525	85,367,954
Other Assets	15,705,597	12,736,373
Total Assets	\$227,182,650	\$215,909,023
Liabilities & Equity		
Member Shares	\$147,167,491	\$141,934,912
Share Drafts	44,972,833	43,348,149
IRAs	4,466,690	4,216,209
Certificates	9,341,312	7,229,708
Other Liabilities	3,474,198	4,520,734
Reserves	1,920,789	1,920,789
Undivided Earnings	19,281,407	16,537,827
Other Comprehensive Income	(3,442,070)	(3,799,305)
Total Liabilities & Equity	\$227,182,650	\$215,909,023

Statement of Income and Expenses

Income	2019	2018
Interest on Loans	\$5,184,149	\$4,621,395
Income From Investments	1,746,661	1,524,094
Other Income	3,223,923	3,283,001
Total Income	\$10,154,733	\$9,428,490

Expenses	2019	2018
Employee Compensation & Benefits	\$3,466,916	\$3,755,857
Cost of Space	432,521	421,721
Office Operations	718,626	675,655
Professional & Outside Services	1,501,041	1,337,188
Marketing	238,089	201,247
Other Expenses	659,193	720,892
Total Expenses	\$7,016,386	\$7,112,560
Non-Operating Income (Loss)	(\$3,518)	\$2,843
Net Earnings Before Dividends	\$3,134,829	\$2,318,773

Distribution of Earnings

Reserves	\$0	\$0
Dividends	\$391,249	\$242,457
Undivided Surplus	\$2,743,580	\$2,076,316

Statistical

Number of Accounts	24,750	25,014
Number of Loans Made	15,368	14,643
Amount Loaned	\$39,685,430	\$37,815,161
Delinquent Loans	\$329,460	\$559,185
Increase (Decrease) in Assets	\$11,273,627	\$855,535
Increase (Decrease) in Loans	\$7,699,184	\$7,006,850