

Citadel
2011 Annual Report



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respect

“At Citadel, we respect you and work hard to provide the best value for your complete banking needs.”

Jeff March, President and CEO of Citadel



A Message from our President and Chairman

2011

We are very pleased to report that Citadel continued to pursue the strategic direction of “Quality Growth” in 2011. Citadel’s assets topped \$1.7 billion, growing 16% for the year. We also continued to increase our financial strength. Our net income in 2011 was a solid \$18 million, 7% above our 2010 income. We ended the year with a total Net Worth of \$165 million, corresponding to a Net Worth Ratio of 9.39%, significantly above the NCUA’s target for a well capitalized credit union.

At the end of 2011, over 145,000 members were receiving the benefits of Citadel Class Service. We opened over 77,000 new products for these customers during the year, and had especially strong balance growth in checking accounts, CDs, auto loans, and short term loans secured by real estate.

In addition to our strong financial performance, there were other important achievements in 2011. Early in the year, we moved into our new corporate headquarters in Exton. We merged our two separate operations centers into this new location, and by doing so, we increased our efficiencies and teamwork among all departments. Our new building will accommodate our growth well into the future.

Another important achievement was the re-launching of Citadel’s website, and the conversion of our online banking system to a new application. The new website carries the tone of the Citadel brand and how we communicate to our members - in a warm and friendly manner. Plus, the new online banking system provides enhanced features and security.

During the year, Citadel and its employees continued to provide value to the communities we serve. Our employees volunteered hundreds of hours working to provide a better life for the people in our neighborhoods. At the same time, Citadel continued to give back in the form of monetary donations to key organizations that work hard in making our local communities better places for all who live here.

As we move into our 75th year, we look back at how much we’ve grown, changed and adapted. A consistent factor in our success has been in keeping Citadel Class Service at the forefront of all we do. This year’s annual report focuses on one of our Pillars of Success: Respect. Respect is a crucial component in how we serve our members and communities well and to the best of our abilities.

We are pleased with our successes in 2011, and we look forward to the opportunities for continued success in 2012 and the years to come.

Jeff March
President and CEO

Glenn S. Soltis
Chairman of the Board

respect

“Respect the past; you never know how it may affect you.”
Christopher Paolini, Author

respect

“If you have some respect for people as they are, you can be more effective in helping them to become better than they are.”
John W. Gardner, Secretary of Health and Education, 1965-1968

Our Heritage

2011

Citadel was originally established in 1937 as the credit union for Lukens Steel, a local steel mill based in Coatesville, Pennsylvania. The employees of this steel mill helped to build the infrastructure of our country – providing materials used in the construction of such iconic American symbols as the Golden Gate Bridge and the World Trade Towers.

Today, Citadel boasts over 145,000 members and over 400 partner businesses, organizations, and companies. Our continued success is attributed to the ideals of striving to provide the best banking products and the highest quality service to our customers, their families and our communities.

We remember and respect our history, originating from a small employees credit union, to a great and stable financial institution. The employees at the steel mill had a sense of pride and work ethic to do what’s right, which still resonates today, 75 years later. Each and every member is important to us. And even as we grow and prosper, we respect our role as a credit union, focusing on our local communities and holding on to our rich history.

Total Assets

2011 - \$1.8 billion

2010 - \$1.5 billion

2009 - \$1.4 billion

2008 - \$1.2 billion

Our Commitment to Community

2011

As a community-based financial institution, Citadel takes the philosophy of “people helping people” to heart. We respect the needs of our community and work hard to direct our donation dollars to the organizations that need it the most. Citadel not only helps the community with monetary support – we do much more than that.

We encourage our employees to give their time and talent during the year to assist community organizations that Citadel partners with, or a non-profit of their choice. Through Citadel’s volunteer program, our employees generously volunteered hundreds of hours to our partner organizations such as United Way, Community Volunteers in Medicine, Good Works, Adopt-a-Highway, Chester County Library Association and the Maternal and Child Health Consortium. In addition to sharing their time

and talent, our employees personally contributed to the donation made by Citadel to United Way of Chester County in response to its annual campaign.

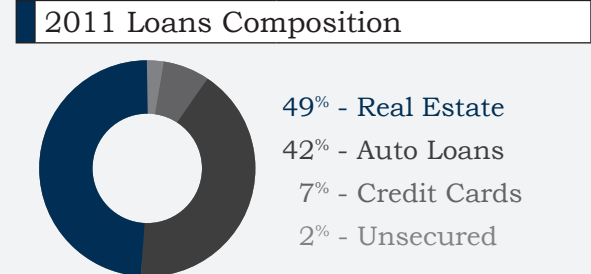
In partnership with the Chester County Intermediate Unit, over the past ten years, we have honored 150 teachers and awarded 30 winners in the Chester County area with the Citadel Heart of Learning Award.

Students, faculty, parents and community members nominate these teachers. We look forward to many more years of honoring our teachers.

We work hard to do our part to support and show our commitment to strengthen our communities in every way possible, and be an effective donor to allow our local charities to provide help where it is most needed.

	2011	2010
Assets		
Net Loans	\$1,305,077,015	\$1,202,669,438
Net Investments	272,024,457	182,536,955
Cash and Cash Equivalents	86,087,049	42,031,389
Fixed Assets	55,724,126	47,948,390
NCUSIF	13,452,592	12,511,906
Other Assets	22,678,073	26,189,729
Total Assets	\$1,755,043,313	\$1,513,887,807

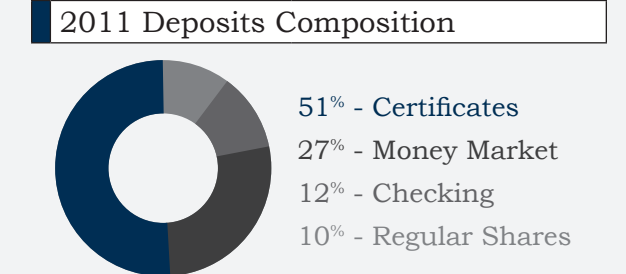
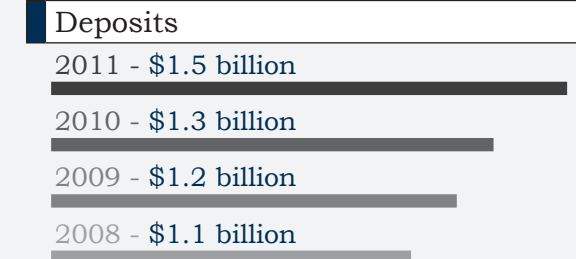
Liabilities and Equity		
Member Deposits	\$1,548,409,600	\$1,325,648,180
Accounts Payable	6,696,479	6,700,238
Borrowed Funds Payable	30,000,000	30,000,000
Dividends Payable	21,107	15,731
Equity	169,916,127	151,523,658
Total Liabilities/Equity	\$1,755,043,313	\$1,513,887,807



	2011	2010
Operating Income		
Total Interest Income	\$73,734,449	\$77,544,850
Total Interest Expense	18,007,917	22,502,080
Net Interest Income	\$55,726,532	\$55,042,770
Other Operating Income	21,772,035	20,311,486
Net Operating Income	\$77,498,567	\$75,354,256

Operating Expenses		
Employee Compensation & Benefits	\$25,612,768	\$23,667,718
Education & Marketing	3,888,395	3,532,027
General Office Expenses	10,547,746	9,178,899
Loan Servicing Expenses	3,458,020	3,058,851
Professional and Outside Services	6,455,895	5,529,457
Provision for Loan Loss	6,483,217	12,612,467
Misc. Operating Expenses	775,241	725,823
Total Operating Expenses	\$57,221,282	\$58,305,242
Non-Operating Gains	1,234,795	3,090,296
NCUSIF Stabilization Expense	3,363,148	3,169,389

Net Income		
Net Income	\$18,148,932	\$16,969,921



respect

"We cannot help to influence any situation without respect for the complex network of people who contribute to our organizations."

Meg Wheatley, President of the Berkana Institute

respect

"Leaders who win the respect of others are the ones who deliver more than they promise, not the ones who promise more than they can deliver."

Mark Clement, Writer

Supervisory Committee Report

2011

Citadel's Supervisory Committee is composed of volunteer members who oversee the function of Citadel's professional audit staff and ensure that Citadel's financial strength is fairly represented.

The diversity of the committee members and their wide variety of backgrounds create a large knowledge pool. This sharing of knowledge and experience is quite valuable as it increases their ability to examine the functions of Citadel in a highly productive manner. The committee oversees the internal and external auditors who make sure Citadel is sound and functioning within the guidelines and policies set forth by all governing bodies.

The 2011 annual audit was completed by the accounting firm of Reinsel Kuntz Leshner, LLP, and reviewed by federal examiners as required by regulation. The results verified that Citadel has proven to be well managed and ready to meet the challenges of the future through its strong financial performance. The National Credit Union Administration (NCUA) reports that Citadel is in good financial order and in compliance with federal regulations.

Board of Directors

Glenn S. Soltis, Chairperson
Lawrence L. Tankeloff, Vice Chairperson
Joseph A. Petsko, Secretary
Joseph R. Glace, Treasurer
Ravi S. Ganti
Michael S. Givler
Jeffery L. March
Philippe W. Ouellette, Jr.
Gary P. Rabik

Supervisory Committee

Philip A. Priolo, Chairperson
Grant V. Hoffman, Jr., Secretary
Samantha Howland
Chaya Scott

Total Banking Solutions

2011

At Citadel, we offer the products and services our customers need, along with friendly, personalized service you just won't find anywhere else.

Daily Banking Services

Our banking services include checking, savings, money market accounts and certificates of deposit. We still offer a free checking account with no minimum balance and savings accounts to meet our customers' every need. Our money market accounts and certificates of deposit are still among the best in the industry. Coupled with Citadel's Online Banking and all the banking-on-the-go services, Citadel offers a complete banking package.

Loan Products

The Citadel Platinum MasterCard offers great rewards, with no annual fee and no balance transfer fees. Citadel offers on-the-spot auto financing at most area dealerships, instant pre-approvals and online tools to determine trade-in values and estimate monthly payments. We specialize in mortgage refinancing as well as mortgages for buying a new home, with great rates on a variety of

mortgage terms and types. Our home equity loans and lines of credit are great, low-rate options for home improvement or other borrowing needs.

Investment Services

We help our customers meet their financial goals based on their wants and needs, life circumstances, and widely varying attitudes towards risk. Whether it's planning for retirement, saving for education, or preparing for a rainy day, our investment representatives work closely with customers to develop a solid strategy and a personalized blueprint that will help achieve dreams. The Investment Team at Citadel is consistently recognized as a high performer within our industry, ranking in the top ten percent nationally.

Insurance

The Citadel Agency offers a complete array of insurance, including homeowners, auto, renters, and life insurance. We want our customers to stay protected and get the best possible rates. In many cases, we can save our customers hundreds of dollars a year.

respect

“Mutual respect is the foundation of genuine harmony.”
Dalai Lama

respect

“Our mission statement about treating people with respect and dignity is not just words but a creed we live by every day...”
Howard Schultz, CEO of Starbucks Coffee

Workplace Advantage

2011

Citadel is proud to partner with more than 400 companies and organizations from across South-eastern Pennsylvania, providing valuable benefits and Citadel Class Service to employees and management. Partners range from small organizations to major companies, who turn to us for expert advice and superior financial products that meet their needs.

Our corporate partners are able to offer their employees access to unique CD products, special loan product offers, and investment counseling, in addition to all the convenience – and advantages – of banking with Citadel.

Citadel’s Workplace Advantage partners include such companies as, A. Duie Pyle, Aqua America, ArcelorMittal Steel, Bentley Systems, Brandywine Hospital, CCIU, Chester County Hospital, CTDI, Immaculata University, Janssen Biotech Inc., SAP, Siemens, Sikorsky Global Helicopters, Sungard, Transamerica, World Travel and Weston Solutions.

With every partnership, Citadel’s dedicated team coordinates comprehensive marketing and

promotional activities, makes quarterly site visits, presents ongoing financial planning seminars for employees and so much more. We’re pleased to have received very positive feedback from many of our Workplace Advantage partners and look forward to being a continued valuable resource for all their financial needs.

“Citadel is very knowledgeable and professional. Many of our employees have taken advantage of the products and services they offer and find they are competitive in the marketplace. Citadel is friendly and a joy to work with and we look forward to many more years of partnership.”

Transamerica
Corporate Partner since 1999

“Citadel is a lovely breath of fresh air with a futuristic outlook. Citadel has not only delighted me by its pragmatic approach, but also by the team’s extremely serviceable attitude. Thank you for continuing to live up to your mission.”

SAP America, Inc.
Corporate Partner since 2000

Our Pledge to You

2011

Citadel Class Service Pledge

We promise to deliver superior banking products by providing Citadel Class Service. Our passion goes beyond merely meeting your banking needs. With every interaction we want to exceed your expectations, making you a highly satisfied customer.

At Citadel, we’ve created our own customer service philosophy. Citadel Class Service is our pledge that defines our standard for service excellence, and reinforces our ongoing efforts to achieve the highest level of customer satisfaction.

Serving our customers is what we do best. While we offer financial services, our real business is saving our members time and helping them achieve their dreams. We understand. We relate. We want to help our customers live better lives.

After fulfilling the fiscal requirements of running a financially sound company – such as maintaining the proper capital to protect every investment made by our customers – Citadel reinvests a significant amount of earnings back into the business, ensuring that we can provide even greater value in the products and services we offer.

This is how Citadel is different.



respect

"We must welcome the future, remembering that soon it will be the past; and we must respect the past; remembering that once it was all that was humanly possible."
George Santayana, Philosopher

Looking Forward

2011

As we reflect on our activities over the past year, we also look ahead to what the future will bring.

Our new Oxford office is slated to open in May 2012. This new branch will expand our reach into Southern Chester County, and we look forward to bringing Citadel Class Service to members of the surrounding communities.

We continue to explore opportunities to expand our geographic reach, and evaluate potential new locations.

As we enlarge our reach, we are able to serve more and more customers and communicate our story about the many benefits and value of banking with Citadel.

Citadel is one of the largest financial institutions headquartered in this region, but we hold true to our local and historical roots, respecting our origins. We care about our customers and about our communities, because without them, we wouldn't be where we are today.



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