









# Table of Contents

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Jeff March, Citadel President and CEO and Glenn S. Soltis, Chairman of the Board

## A Message from our President and Chairman

We are very pleased to report that 2012 was another outstanding year for Citadel. It was a year of growth, strength and stability. Citadel's assets grew by 6%, to over \$1.8 billion. We finished the year with a strong Net Income of \$17 million, and a Return on Assets of 0.96%. Our Net Worth now exceeds \$182 million, reflecting a Net Worth Ratio of 9.79%, well above the National Credit Union Administration's 7% threshold for a well capitalized credit union. Another indicator of Citadel's financial stability is the high quality of our assets. At the end of 2012, loan balances delinquent for more than 60 days fell to 0.64% of total balances, a significant improvement over last year's ratio of 1.00%.

This solid financial performance makes us confident that Citadel is well positioned for success in the years to come.

We continued to win new customers in 2012, through a combination of Citadel Class Service, superior products and better interest rates. There are now 154,000 members banking with Citadel, an

increase of 6% more than last year. During 2012, we opened over 70,000 new products for our existing and new customers, and we continued to see strong sales growth in several categories, including new checking accounts.

In addition to providing our customers with the products that best meet their needs, we expanded the ways that our customers interact with us.

We continued to enhance our Online Banking application, and as a result, we experienced a 38% growth in customers enrolled in the service.

We introduced Mobile Banking and the response to this new service has far exceeded our expectations.

In addition, we increased our online presence with Web Chat, allowing Citadel representatives to have real time contact with visitors to our web site, answering questions they may have and offering assistance regarding our products and services.

We are pleased with the customer response to our electronic delivery channels, and at the same time, we recognize that many customers still want the

physical presence that a local branch office offers. We continued to expand our branch network, opening a new office in Oxford in May. The response of the Oxford community to Citadel's new presence has been very positive.

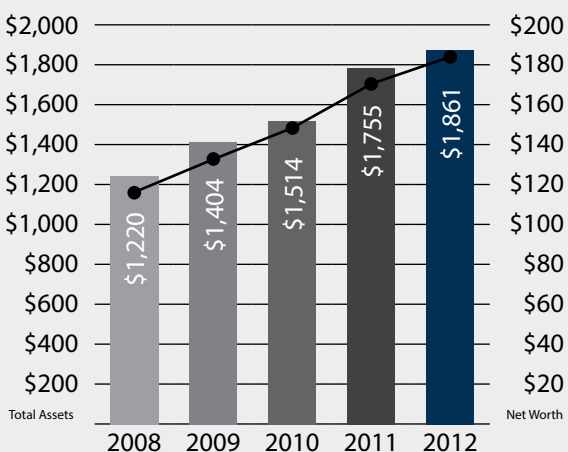
What sets Citadel apart from all the others? We stay focused on the most important things – things that make a difference not only to our customers, but also to the communities we serve. Citadel continued to give back in the form of monetary donations to key organizations that work hard in making our local communities better places for all who live here. In addition, our employees volunteered hundreds of hours in support of various local organizations.

We work diligently to ensure that Citadel is the stable and secure financial institution that our customers depend on. To navigate through a volatile economic landscape, we've learned to grow, change and adapt. And as always, we keep Citadel Class Service at the forefront of all we do. That is our foundation for continued success in 2013 and beyond.

**Jeff March**  
President and CEO

**Glenn S. Soltis**  
Chairman of the Board

**Total Assets and Net Worth** (in millions)



*"We continue to drive asset growth while increasing our net worth."*

**Jeff March, President and CEO**

Total Assets Net Worth



## Our Heritage

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 154,000 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.

Originating from a small employees credit union, we are now a great and stable financial institution. Even as we grow and prosper, we value our role as a credit union, focusing on our local communities and holding on to our rich history.

## Our Commitment to Community

As a community-based financial institution, Citadel takes the philosophy of “people helping people” to heart. We respond to the needs of our community and work hard to provide support to the most deserving organizations. 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, Chester County Food Bank and the Maternal and Child Health Consortium. In addition to sharing their time and talent, in 2012,

Citadel employees personally contributed over \$43,000 to the United Way of Chester County in response to its annual campaign.

Another important community initiative is the Citadel Heart of Learning Award. In partnership with the Chester County Intermediate Unit, over the past 11 years, we have honored 165 teachers and awarded 33 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, including being an effective donor to allow our local charities to provide help where it is most needed.

## The Best Value for All Your Banking Needs

At Citadel, we offer the products and services to fit your needs, along with friendly, personalized service you just won't find anywhere else.

### Checking and Savings Products

Our banking products include checking, savings, money market, certificates of deposit and individual retirement accounts. Customers can access these products through a variety of on-the-go services such as Online Banking and Mobile Banking.

### Loan Products

Citadel has a full range of loan products with great low rates. Our loan products include Citadel MasterCard, personal loans and lines, mortgages, auto loans and home equity loans and lines.

### Investment Services\*

The Investment Team at Citadel is consistently recognized as a high performer within our industry, ranking in the top ten percent nationally. Retirement planning and asset management are just a few of the services we provide.

### Insurance Services\*\*

The Citadel Agency offers a complete array of insurance products, including homeowners insurance, auto insurance, renters insurance and life insurance.

We work hard to keep our promise to deliver superior products and services to our customers, to provide the smartest and easiest personal banking solutions possible.



Citadel Federal Credit Union Board of Directors

## Supervisory Committee Report

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 2012 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, Chairman  
Lawrence L. Tankeloff, Vice Chairman  
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, Chairman  
Grant V. Hoffman, Jr., Secretary  
Samantha Howland  
Chaya Scott  
Robert C. Vryhof

## Workplace Advantage

“Of course Citadel provides banking services from checking, loans and retirement savings plans that you would expect from any bank. Moreover, Citadel’s proven expertise in all aspects of their business is quintessential. However, it is their service that towers above all others. Their slogan is much more than just a catchy line. It is genuine, personal and felt with every encounter that a customer experiences.”

Susan Petley, Chester County Hospital  
Corporate Partner since 1987

Citadel is proud to partner with more than 400 companies and organizations from across Southeastern Pennsylvania, providing valuable benefits and Citadel Class Service to employees and management alike, through Citadel’s Workplace Advantage program. Our partners range from small organizations to major companies, whose employees turn to us for expert advice and superior financial products that meet their unique needs. Companies can join Citadel’s Workplace Advantage program at no cost and are able to provide their employees access to all the 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, Chester County Intermediate Unit, Chester County Hospital, CTDI, Immaculata University, Janssen Biotech Inc., SAP, Siemens, Sikorsky Global Helicopters, Sungard, Transamerica, Weston Solutions and World Travel.

With every partnership, Citadel’s dedicated team coordinates comprehensive marketing and promotional activities, makes 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.



## Our Pledge to You

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.

**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.**

As part of our pledge, we follow four Pillars. The Pillars detail the most important elements of our customer service pledge.

**Accuracy:** To always produce high quality work, given any opportunity.

**Convenience:** To make life easier for our customers.

**Respect:** To appreciate our customers, colleagues and our organization.

**Value:** To continuously work to build and better our customer relationships.

Serving our customers is what we do best. While we offer financial services, our real business is helping our customers achieve their dreams and saving them time. 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.**

## Looking Forward

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

Our new Glen Mills branch office will open in 2013.

We are excited to open our third branch office in Delaware County and look forward to bringing Citadel Class Service to members of the surrounding communities.

We will continue to explore opportunities to expand our geographic reach, and evaluate potential new locations, with particular focus in Montgomery County. 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.

As we grow and expand, we are committed to finding ways to be more efficient internally to better serve our customers. We will continue to focus on internal processes and find the best ways to utilize technology. This goes hand-in-hand with how we will serve customers in a non-branch office setting. The way we deliver services electronically will become more and more important in the near future.

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

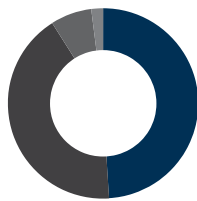


## Financial Information

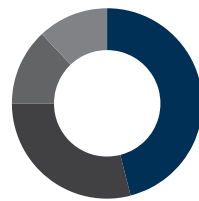
Statement of Financial Condition	2012	2011
<b>Assets</b>		
<b>Loans</b>		
Auto	\$ 590,825,982	\$ 548,092,419
Unsecured	120,251,252	117,367,850
Real Estate	586,604,186	539,976,461
Business Loans	98,850,682	107,115,006
Other	4,579,932	5,366,855
<b>Total Loans</b>	<b>\$ 1,401,112,034</b>	<b>\$ 1,317,918,591</b>
Allowance for Loan Losses	(10,033,723)	(12,841,576)
Net Loans	1,391,078,311	1,305,077,015
Agency Bonds	-	13,406,292
CMOs	139,329,915	187,389,700
Mortgage Backed Securities	142,241,388	65,653,109
Other Investments	5,030,251	5,575,356
Cash and Cash Equivalents	81,615,703	86,087,050
Fixed Assets	55,351,780	55,724,126
NCUSIF	15,249,849	13,452,592
Other Assets	31,048,606	22,678,073
<b>Total Assets</b>	<b>\$ 1,860,945,803</b>	<b>\$ 1,755,043,313</b>
<b>Liabilities and Equity</b>		
<b>Deposits</b>		
Savings	\$ 199,574,249	\$ 155,163,450
Checking	215,021,495	180,599,949
Money Market Accounts	466,287,494	421,625,119
Certificates	754,810,509	791,021,082
<b>Total Member Deposits</b>	<b>\$ 1,635,693,747</b>	<b>\$ 1,548,409,600</b>
Accounts Payable	7,651,211	6,696,479
Borrowed Funds Payable	30,000,000	30,000,000
Dividends Payable	7,533	21,107
Equity	187,593,312	169,916,127
<b>Total Liabilities/Equity</b>	<b>\$ 1,860,945,803</b>	<b>\$ 1,755,043,313</b>

Statement of Income		2012		2011	
Operating Income					
Loan Interest Income	\$	61,444,889	\$	65,583,456	
Investment Income		6,354,769		8,150,994	
Total interest Income		67,799,657		73,734,449	
Dividend Expense		16,545,968		17,154,422	
Borrowed Funds Expense		834,989		853,495	
Total Interest Expense		17,380,957		18,007,917	
Net Interest Income	\$	50,418,700	\$	55,726,532	
Provision for Loan Losses		4,808,776		6,483,217	
Net Interest Income After Provision for Loan Losses	\$	45,609,924	\$	49,243,315	
Other Operating Income		23,457,341		21,772,036	
Net Operating Income	\$	69,067,266	\$	71,015,351	
Operating Expenses					
Employee Compensation & Benefits	\$	27,306,973	\$	25,612,768	
Marketing		4,301,442		3,888,395	
General Office Occupancy & Expenses		10,645,023		10,547,746	
Loan Servicing Expenses		3,595,656		3,458,020	
Professional and Outside Services		7,527,893		6,455,895	
Misc. Operating Expenses		901,042		775,241	
Total Operating Expenses	\$	54,278,028	\$	50,738,065	
Non-Operating Gains / Losses		4,051,916		1,234,795	
NCUSIF		(1,448,736)		(3,363,148)	
Net Income	\$	17,392,417	\$	18,148,932	

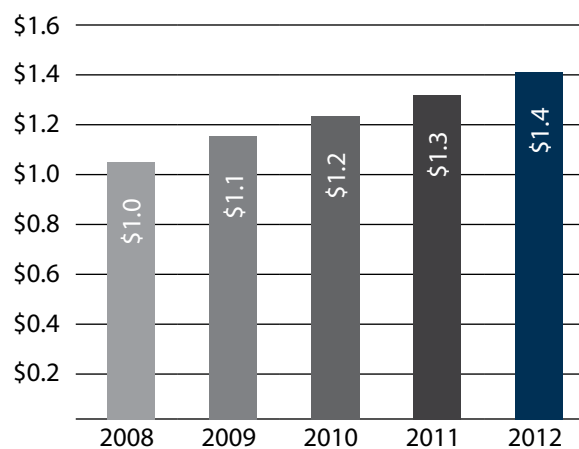
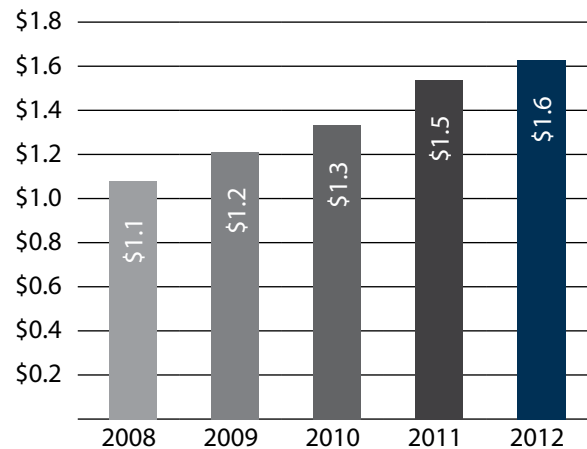
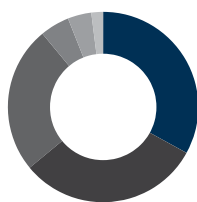
Statement of Cash Flow	2012		2011	
<b>Cash Flow From Operating Activities</b>				
Net income	\$	17,392,417	\$	18,148,932
Adjustments to reconcile net income to net cash from operating activities				
Depreciation and amortization		3,463,436		2,899,522
Amortization of investment premiums, net		8,812,503		2,785,190
Excess of provision for possible loan losses over net loans charged off		(2,807,853)		(754,504)
Change in assets and liabilities				
(Increase) decrease in assets:				
Accrued interest receivable		547,511		82,879
Prepaid expense and other assets		(3,304,701)		(1,544,839)
Increase (decrease) in liabilities				
Accounts payable and accrued expense		(3,767,773)		2,401,163
<b>Net Cash Provided By Operating Activities</b>	<b>\$</b>	<b>20,335,541</b>	<b>\$</b>	<b>24,018,343</b>
<b>Cash Flows From Investing Activities</b>				
Proceeds from maturity, call, and sale of investments	\$	45,301,955	\$	38,000,000
Purchase of investment securities		(154,527,665)		(164,443,845)
Principle received on mortgage backed securities		85,575,775		33,404,333
Net increase in loans		(83,193,443)		(101,653,073)
Increase in NCUSIF deposit		(1,797,257)		(940,686)
Expenditures for property and equipment, net		(3,450,400)		(7,090,832)
<b>Net Cash Used In Investment Activities</b>	<b>\$</b>	<b>(112,091,035)</b>	<b>\$</b>	<b>(202,724,103)</b>
<b>Cash Flows From Financing Activities</b>				
Net increase in borrowed funds	\$	0	\$	0
Net increase in deposit accounts		87,284,147		222,761,420
<b>Net Cash Provided By Financing Activities</b>	<b>\$</b>	<b>87,284,147</b>	<b>\$</b>	<b>222,761,420</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$</b>	<b>(4,471,347)</b>	<b>\$</b>	<b>44,055,660</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>\$</b>	<b>86,087,050</b>	<b>\$</b>	<b>42,031,390</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$</b>	<b>81,615,703</b>	<b>\$</b>	<b>86,087,050</b>

**Composition of Loans**

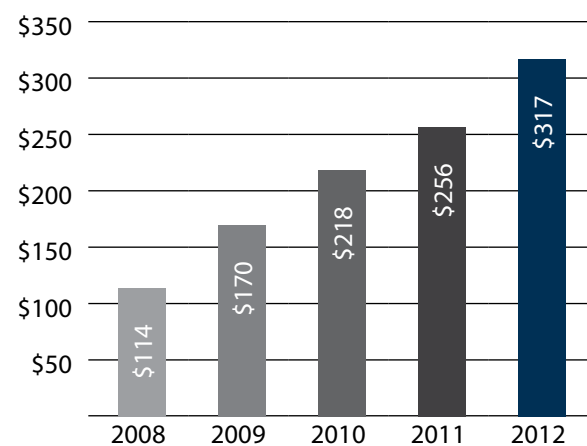
Real Estate	49%
Auto Loans	42%
Credit Cards	7%
Unsecured	2%
Other Loans	<1%

**Composition of Deposits**

Certificates	46%
Money Market	29%
Checking	13%
Savings	12%

**Total Loans (in billions)****Total Deposits (in billions)****Composition of Assets Under Management**

Variable Annuity	32.5%
Managed Accounts	31.5%
Mutual Funds	25.5%
Stocks and ETFs	4.8%
Fixed Annuities	4.2%
Other	1.5%

**Assets Under Management (in millions)**





For more information on the services that Citadel  
offers, stop by our nearest branch office, call us  
at (800) 666-0191 to speak with one of our  
customer service representatives or email us at  
[info@CitadelBanking.com](mailto:info@CitadelBanking.com)

Visit Citadel online at [CitadelBanking.com](http://CitadelBanking.com)

\*Non-deposit investment products and services are offered through CUSO Financial Services, L.P. ("CFS"), a registered broker-dealer (Member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through CFS: are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal. Investment Representatives are registered through CFS. Citadel has contracted with CFS to make non-deposit investment products and services available to credit union members.

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