

2017 ANNUAL REPORT



190,000+
HAPPY
CUSTOMERS



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A Message from our President and our Chairman

AT CITADEL, we strive to be a trusted partner to our staff, to our members, and to the communities we serve. It is our strong belief that if these groups are successful, Citadel is guaranteed to share that success. As we look back on 2017, we are pleased to report strong financial results and continued growth.

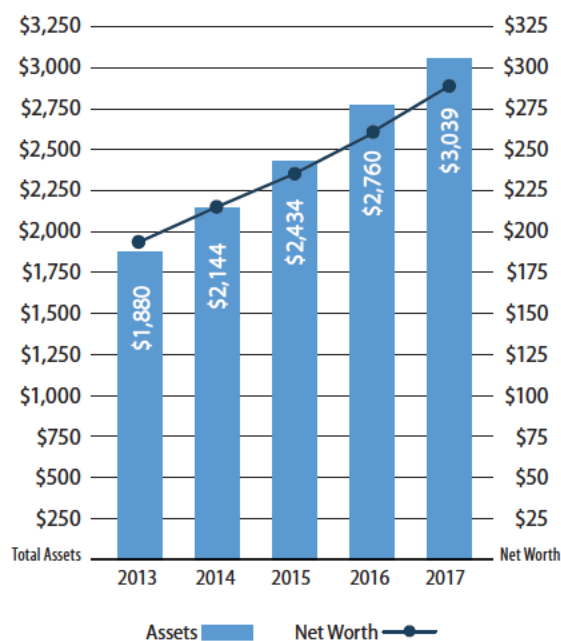
In 2017, Citadel continued to demonstrate asset growth, market expansion, and overall progress toward meeting our long-term goals. We saw asset growth of 10.1%, an additional \$279 million, and we closed the year at over \$3 billion in assets. Our Net

Income increased 14.5% over 2016, to more than \$27 million, and we had a Return on Assets of .96%. Our capital exceeds \$287 million, reflecting a Net Worth Ratio of 9.46%. By the end of the year, we proudly served 194,665 members.

This year also marked our 80th anniversary as an organization. Over the years, by listening to our members and learning from feedback, we have continued to strengthen and grow. We continue to be committed to our members by remaining relevant and involved locally through various organizations. To Citadel, the people we serve and our communities are what really matter. That philosophy has kept us steadily growing for 80 years.

As Citadel, a non-profit credit union cooperative, serves more members, we are able to provide increased benefits to the membership and the communities we serve. Citadel continues to use our generated income to give back to our owners—those members we serve—and invest in services to ensure we're the best place they can bank. Our goal each and every day is to enhance the member's experience and to provide the best pricing, the best service, and be a one-stop financial shop. In fact, according to Callahan & Associates, at the end of 2017 Citadel ranked 4th out of almost 6,000 credit unions nationwide in the "Return to Member" independent scoring index, which measures how well a credit union provides value to its members.

Total Assets and Net Worth (in millions)





Jeff March, Citadel President and CEO, and Lawrence L. Tankeloff, Chairman of the Board.

A Message from our President and our Chairman

Citadel continues to focus on improving our digital strategies. In the second quarter of 2017, we launched a brand new website with enhanced capabilities and content. The new website gave members a fresh experience that made it easier to navigate and allowed Citadel to reach more potential members. Members and prospects are now better able to find specific information and can research our products more easily with enhanced tools. In addition, the new website offers enhanced analytical capabilities to continually improve the member's digital experience. In 2018, we will introduce additional features that will make banking with Citadel online even more seamless. In addition, we will continue to ensure all of our digital channels are safe and secure for members.

Our Online and Mobile Banking platforms also went through several enhancements in 2017, all with the goal of responding directly to member feedback and making it easier to manage accounts online. Creating the easiest banking experience for our members is a priority, and digital banking tools are a primary focus to make their lives easier.

We also introduced a new Marquee Event in Montgomery County, Citadel Palooza. Citadel Palooza was an all-day country music festival in Pottstown that featured five-time Grammy nominee Hunter Hayes, among several other country artists. The goal of Citadel Palooza was to celebrate our



80th anniversary with an event that brought the community together for a good cause. Citadel donated 100 percent of ticket sales to Children's Hospital of Philadelphia (CHOP), an institution that is extremely important to the Greater Philadelphia community. Ultimately, Citadel Palooza raised more than \$55,000 for CHOP and drew over 2,000 music fans from all six counties and even beyond. The event was a major success, and we are proud of its results. Going forward, Citadel will look for similar opportunities to sponsor events that benefit our community.

Our lending business saw tremendous growth in 2017. We received vehicle loan applications from over 330 different dealers, an increase of over 100 dealers since 2014. With this growth, our vehicle loan market share has increased in each of our counties—we rank number one in both Chester and Montgomery counties, and we hold the fourth market share rank across Bucks, Chester, Delaware, Montgomery, Lancaster, and Philadelphia counties.

In addition, we opened 23,000 vehicle loans and over 2,100 real estate loans for the year.

As a trusted partner, helping our members plan for their financial future continues to be an important priority for Citadel. In 2017, we helped even more members with estate and retirement planning through our Wealth Management Division. For the year, our Wealth Management team added \$87 million in assets under management, bringing the total at year end to \$725 million, an increase of 13.6%. In addition, the Wealth Management team held many seminars for members on various investment topics.

We have continued to grow at a healthy pace, meet and exceed long-term strategic goals, while acquiring new members and deepening relationships with existing members. Citadel has proven we're not only able to grow, but we are also able to generate enough income to invest in our future and remain financially sound. Today, we are the 64th largest credit union in the country out of 6,000 credit unions nationwide, and we've reached 80 years in our community. Together with our members, Citadel will continue to celebrate our history, invest in our future, focus on providing Citadel Class Service, and grow our organization.

Jeff March *Larry Kallhoff*



G R O W T H

Community

S T R E N G T H

Citadel: Our History and Today

TODAY, Citadel is a \$3 billion financial institution and the 64th largest credit union in the country out of 6,000 credit unions nationwide. We've grown, but our roots in the community that has guided our success are strong. Citadel simply would not be the institution it is today without the support of various organizations and our loyal membership within Bucks, Chester, Delaware, Lancaster, Montgomery and Philadelphia counties.

"I became a member when it was called Lukens Employee Federal Credit Union in 1957. I cannot say a bad thing about this organization. At 83, I am still using them for my banking and savings needs." – Alfred C.

Citadel was originally founded as an employee credit union for Lukens Steel in Coatesville, Pennsylvania in 1937. Even in our early years, supporting the 'family unit' was a priority for Citadel; we served the financial needs of Lukens employees and their families. Since 1937, Citadel has remained a constant in the lives of our members, employees, and those in the communities we serve. Today, we still serve that family unit by providing financial products to meet any phase of life.

This year, we honored our longevity by celebrating our 80th anniversary as an organization. We gave back to our customers by celebrating the milestone in every branch and communicating how much we appreciate our members' loyalty throughout the years. Citadel now serves more than 194,000 members within Bucks, Chester, Delaware, Lancaster, Montgomery and Philadelphia counties. We have 22 offices from Lancaster to Philadelphia, and that number will only increase in the next several years.

Since the end of 2013, just four years ago, Citadel's assets have grown over \$1.1 billion, a 62% increase. We've experienced tremendous growth, but increased assets and geographic expansion will never mean sacrificing quality products and service. We will continue to offer the most competitive pricing and customer service in the area, no matter what. Citadel will continue to always put the member—and the community in which we live and work—first.

"I first opened my account with Citadel when I was working in Kennett Square 17 years ago. After 17 years I still have my account with Citadel. They offer great customer service, and their Online Banking is AWESOME." – Terry E.

Right: CEO Jeff March speaks at an employee flag raising ceremony to celebrate Citadel being ranked number one in the nation for providing value to members.



Citadel today:
– *Serving Six Counties*
– *194,665 Members*

Community Involvement

A MAJOR GOAL for Citadel is to not only increase brand awareness, but to also increase community ties. In 2017, we continued to expand our corporate giving and community involvement in our new territories. Our branch staff members continuously network at community events to explore new non-profits, charities, and other opportunities that Citadel can support.

Citadel employees are known for their enthusiastic approach to being involved in community events. In fact, many employees have been volunteering in the community for so long they are known by name at local organizations. Today, we work with even more organizations across our counties than we did a year ago, and many of our market managers serve on boards for various organizations.

Active involvement in the community that supports our organization's growth is part of the culture at Citadel—in fact, our employees dedicated more than 460 hours to community service in 2017. Our employees donated and raised more than \$47,000 for the United Way of Chester County, and in addition to a corporate donation, Citadel gave the United Way



Citadel employees volunteer to repair local homes, one of the many community service initiatives in which Citadel is involved.



Jeff March introduces a CHOP patient onstage at Citadel Palooza.

over \$90,000. In addition to this, Citadel donated more than \$100,000 to other local organizations.

A Great Time for an Even Better Cause

Citadel Palooza was by far the largest and most significant community initiative that Citadel undertook in 2017. The concert raised more than \$55,000 for Children's Hospital of Philadelphia (CHOP)—with Citadel donating 100 percent of ticket sales to support CHOP and the Children's Miracle Network. After the concert, Citadel presented CHOP with a large check donation at the hospital. Overall, the concert strengthened our partnership with a hospital that is incredibly important to the Greater Philadelphia area and our members.

Supporting our Local Educators

For the 16th consecutive year, Citadel honored 15 local teachers through its Citadel Heart of Learning Award program. The program, now widely known in the area, recognizes excellence in the classroom by honoring teachers across Chester County who show true dedication by going beyond their day job to meet the needs of students. Since 2001, Citadel



The Jess Zimmerman Band, a local country music group, performs at Citadel Palooza in Pottstown, Pa.

has recognized thousands of teachers in the region and has awarded 45 winners. Through the program, our Citadel representatives surprise teachers in their classroom with a speech and the award presentation. Citadel not only honors the teachers, but our representatives have the chance to meet many members of the community including the parents and students who have submitted nominations, the school administrators, and other faculty members.

Continued Dedication

Citadel will continue to support the community in a variety of ways and will expand our involvement as we grow. Our goal is to explore corporate support of new events that benefit the community. In addition, we will look for additional areas of need within our charter.



The 2017 Citadel Heart of Learning Award winners stand together at the May banquet.



Standing, left to right: Joseph R. Glace, Ravi S. Ganti, Michael S. Givler, Philippe W. Ouellette, Jr., Claudia Hellebush, and Citadel President and CEO, Jeff March.

Seated, left to right: Gary P. Rabik, Joseph A. Petsko, Glenn S. Soltis, and Lawrence L. Tankeloff.

Supervisory Committee Report

WE WORK in a highly regulated industry; there are volumes of rules, policies, and guidelines that govern our business. 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.

With the diverse backgrounds of the committee members, Citadel benefits from a vast pool of knowledge. The degree of experience is extremely valuable as it increases the committee's ability to examine the functions of Citadel in a highly productive manner. The committee oversees the internal and external auditors who ensure Citadel is sound and functioning within the guidelines and policies set forth by all governing bodies.

Our five guiding principles, and what we strive to deliver with every member interaction, are **Accuracy, Convenience, Respect, Security** and **Value**. When it comes to accuracy, we have once again recently proven that we're doing things right.

The 2017 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

Lawrence L. Tankeloff, *Chairperson*

Michael S. Givler, *Vice Chairperson*

Gary P. Rabik, *Secretary*

Joseph R. Glace, *Treasurer*

Ravi S. Ganti, *Member*

Claudia Hellebush, *Member*

Philippe W. Ouellette, Jr., *Member*

Joseph A. Petsko, *Member*

Glenn S. Soltis, *Member*

Supervisory Committee

Michael Pagano, *Chairperson*

Jessica Schuler, *Secretary*

Madhav Gopal

Brian O'Neill

Philip A. Priolo, III

Strategic Goals

IN 2018, Citadel has several plans and new initiatives that will support our growth. We have identified four strategic goals that will serve as guidelines for our success.

1] Grow Market Share in Bucks, Delaware, Lancaster and Montgomery Counties.

In 2017, Citadel was successful in opening products for households throughout our new territories, an increase of 9% compared to 2016, despite not opening any new physical branch locations. Our goal is to continue to grow our market share, brand awareness, and overall presence in these new markets throughout 2018. Ultimately, our objective is to achieve the same market share success that we have experienced in Chester County.

In Spring 2018, Citadel will open its second branch in Lancaster County. Surrounding the branch opening, our plan is to target the Lancaster market through various advertising campaigns and promotions directed specifically to people in this region. In addition, we will host a Grand Opening event with giveaways and special offers for potential new members who visit the branch.

New Strategies

Through innovative marketing strategies, Citadel will continue to drive growth in our new markets. With our redesigned website and digital enhancements, we are better able to attract potential new members online. Our enhanced capabilities will benefit Citadel in driving new business in Bucks, Delaware, Lancaster, and Montgomery counties.

2] Create the Best Possible Digital Experience for Members and Potential Members.

In today's banking world, being competitive in the digital landscape is essential. Our major digital accomplishment in 2017 was launching our brand new website, which will continue to give us enhanced capabilities and provide an optimal digital experience to members.

We will roll out another phase of our new website that will provide additional helpful content, and will make the experience for the user even more seamless. Our plan is to roll out new digital tools, enhancements, and content more quickly than ever before, with a focus on enhancing the overall member experience—while quickly responding to user feedback—in our digital channels.

In addition, Citadel will continue to roll out enhancements to our Online and Mobile Banking platforms that cater directly to feedback from members. The goal will always be to make it as easy as possible for our members to bank with us and to manage their accounts with our digital tools.

3] Promote and Enhance Member Value.

According to DataTrac, a company we partner with that analyzes how our pricing compares to competitors, Citadel members have access to:

- Saving Account rates five times the Philadelphia area average
- Certificates 113% higher than the Philadelphia area average
- Up to \$794 in savings on auto loans

We continue to promote the value of banking with Citadel to our members in many ways, including through promotion of DataTrac information. In addition, we continue to promote our Callahan & Associates "Return of Member" ranking. Based on the end of the 2017 results, Citadel was ranked 4th in the nation out of all 6,000 credit unions for providing value back to our members, and 3rd in the nation among credit unions with assets over \$1 billion.

Citadel will strive to win on price all of the time, but not at any cost. To help us reach this goal, we will increase efficiency, decrease costs, and continue to evaluate our pricing models, keeping our members top of mind.

4] Continually Improve Upon Being a High Performing Organization.

Citadel has been named a "Top Performing Credit Union" by SNL Financial, has a five star rating with Bauer Financial, and has an A+ rating with the Better Business Bureau. We take pride in what we have accomplished in our 80 years, and we will continue to build on our success as we expand. Our plans will put us on the path to provide even more households with Citadel products and services.



Grow Market Share in Bucks, Delaware, Lancaster, and Montgomery Counties



Create the Best Possible Digital Experience for Members and Potential Members



Promote and Enhance Member Value



Continually Improve Upon Being a High Performing Organization

DIGITAL INNOVATION
Member Value
HIGH PERFORMANCE

Citadel Class Service

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 members with warmth and helpful, responsible financial advice is what we do best at Citadel. Our customer service has always been superior, and is the reason for our success and 80 years of member loyalty.

As part of our pledge, we follow five 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.

Security: To protect the finances and data of our customers and our organization

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

“I’ve been a customer since 2003. Citadel was my first bank account. I’ve been to other places but have always stayed with Citadel because you can never get the same level of professionalism and friendliness you get from every Citadel branch.”

– Lauren H.

After fulfilling the fiscal requirements of running a financially sound company, 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.

The combination of our new technologies, warm and caring personal service delivery, and superb products and services with great rates and low fees, makes Citadel the best banking choice for our current prospective members. It is just one way we can demonstrate Citadel Class Service.



“I was intrigued with Citadel’s business model and impressed with their customer-centric approach. They offer convenient hours of operation, a ‘meet-and-greet’ philosophy at the door, and they go above and beyond to ensure a satisfying experience. Their competitive rates and volume of financial products and services are an added bonus. This institution truly lives up to their advertised catch phrase, the ‘focus is on YOU’.” – Thomas H.

Looking Forward

CITADEL has exciting plans for 2018. We will introduce new marketing and community initiatives through major title sponsorships, explore new business opportunities, and further expand our physical presence.

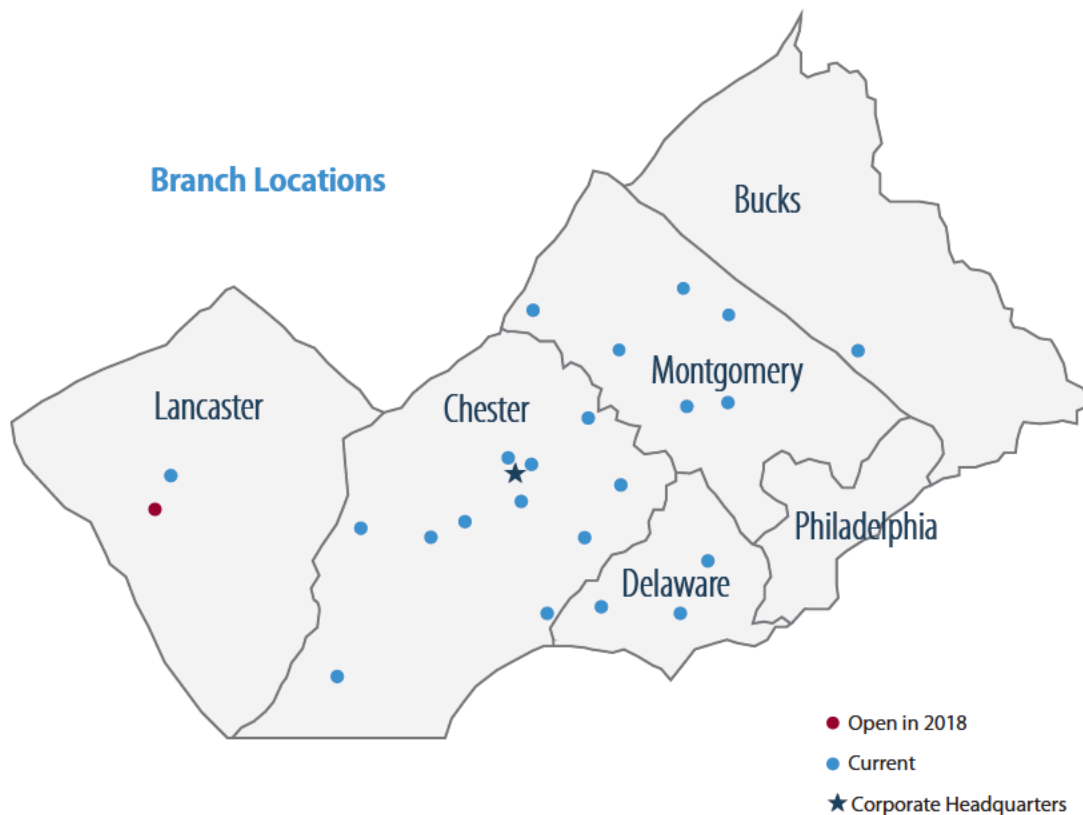
We will continue to focus on optimizing the digital experience by making it easier for members, and potential members, to get the information they need as quickly as possible to increase our business. In addition, we will use digital personalization to provide the right product to the user at the right time.

At Citadel, our future looks strong, and we're excited about what is to come. We continue to grow at a

stable, but impressive rate. Our focus will continue to be our members, and providing products and services that simplify their lives and add financial value. In every interaction we have with a member, we want them to feel as though Citadel took care of their needs and provided a solution.

As we grow, we are in a better position to give back to our members. Every decision we make, and every dollar spent, will be invested into our members, staff, and the communities we serve.

Here's to another 80 years!



2017 FINANCIALS

Statement of Financial Condition

2017

2016

Assets**Loans**

Auto	\$ 1,004,663,146	\$ 864,746,764
Unsecured	194,066,774	177,747,417
Real Estate	1,430,353,677	1,394,961,609
Business Real Estate	96,840,138	84,936,650
Other	8,363,723	7,699,480
Total Loans	\$ 2,734,287,458	\$ 2,530,091,920
Allowance for Loan Losses	(11,067,416)	(10,699,477)
Net Loans	2,723,220,042	2,519,392,443
Agency Bonds	15,219,469	23,681,619
CMOs	23,604,329	23,710,608
Mortgage Backed Securities	26,713,002	30,222,794
Other Investments	11,511,190	12,986,309
Cash and Cash Equivalents	100,359,668	13,529,850
Fixed Assets	69,879,523	70,736,948
NCUSIF	23,241,047	20,613,647
Other Assets	45,036,393	44,729,511
Total Assets	\$ 3,038,784,663	\$ 2,759,603,729

Liabilities and Equity**Deposits**

Savings	\$ 378,238,817	\$ 322,268,114
Checking	388,462,340	355,715,585
Money Market Accounts	568,676,584	561,262,059
Certificates	1,203,742,947	1,054,675,761
Total Member Deposits	\$ 2,539,120,688	\$ 2,293,921,519

Accounts Payable	12,204,272	12,710,236
Borrowed Funds Payable	200,000,000	192,310,000
Dividends Payable	1,150	1,159
Equity	287,458,553	260,660,815
Total Liabilities/Equity	\$ 3,038,784,663	\$ 2,759,603,729

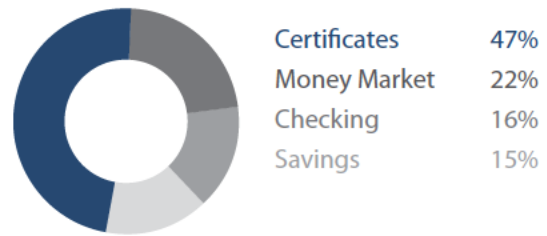
Statement of Income	2017	2016
Operating Income		
Loan Interest Income	\$ 104,698,060	\$ 94,692,371
Investment Income	3,151,871	2,630,229
Total Interest Income	107,849,931	97,322,600
Dividend Expense	21,905,862	19,353,111
Borrowed Funds Expense	3,370,405	2,953,350
Total Interest Expense	25,276,267	22,306,461
Net Interest Income	\$ 82,573,664	\$ 75,016,139
Provision for Loan Losses	11,894,000	10,734,500
Net Interest Income After Provision for Loan Losses	\$ 70,679,664	\$ 64,281,639
Other Operating Income	36,477,244	32,026,889
Net Operating Income	\$ 107,156,908	\$ 96,308,528
Operating Expenses		
Employee Compensation & Benefits	\$ 39,378,253	\$ 37,421,508
Marketing	5,981,075	5,500,221
General Office Occupancy & Expenses	16,457,731	15,287,493
Loan Servicing Expenses	7,215,691	6,197,245
Professional and Outside Services	11,965,608	11,695,738
Misc. Operating Expenses	864,441	747,575
Total Operating Expenses	\$ 81,862,799	\$ 76,849,780
Non-Operating Gains / Losses	2,572,735	4,881,870
Net Income	\$ 27,866,844	\$ 24,340,618

Statement of Cash Flow	2017	2016
Cash Flow From Operating Activities		
Net income	\$ 27,866,844	\$ 24,340,618
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	4,738,808	4,886,688
Amortization of investment premiums, net	623,171	947,577
Gain on sale of investments	(382,670)	(395,023)
Excess of provision for possible loan losses over net loans charged off	367,939	1,450,782
Change in assets and liabilities		
Increase (Decrease) in assets:		
Prepaid expense and other assets	965,819	(7,984,917)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expense	(505,971)	3,701,367
Net Cash Provided By Operating Activities	\$ 33,673,940	\$ 26,947,092
Cash Flows From Investing Activities		
Proceeds from maturity, call, and sale of investments	\$ 33,791,105	\$ 20,816,251
Purchase of investment securities	(26,513,897)	(10,717,813)
Principal received on mortgage backed securities	3,491,406	4,384,327
Net increase in loans	(204,195,538)	(362,966,740)
Increase in NCUSIF deposit	(2,627,400)	(3,342,926)
Expenditures for property and equipment, net	(3,881,384)	(9,734,329)
Net Cash Used In Investment Activities	\$ (199,935,708)	\$ (361,561,230)
Cash Flows From Financing Activities		
Net increase in borrowed funds	\$ 7,690,000	\$ 17,310,000
Net increase in deposit accounts	245,401,586	280,703,822
Net Cash Provided By Financing Activities	\$ 253,091,586	\$ 298,013,822
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 86,829,818	\$ (36,600,316)
Cash and Cash Equivalents at Beginning of Year	\$ 13,529,850	\$ 50,130,166
Cash and Cash Equivalents at End of Year	\$ 100,359,668	\$ 13,529,850

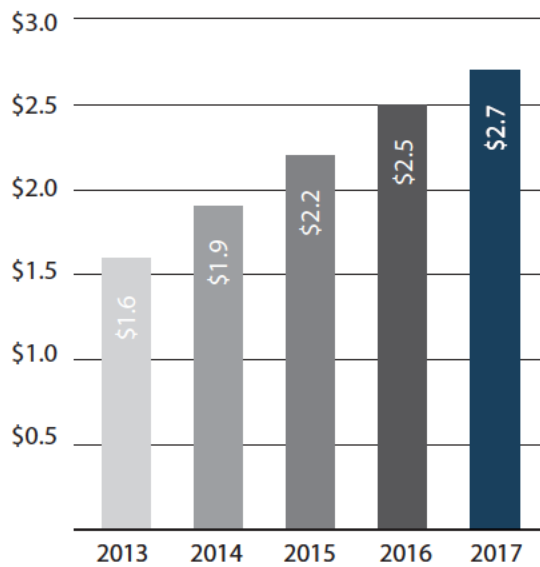
Composition of Loans



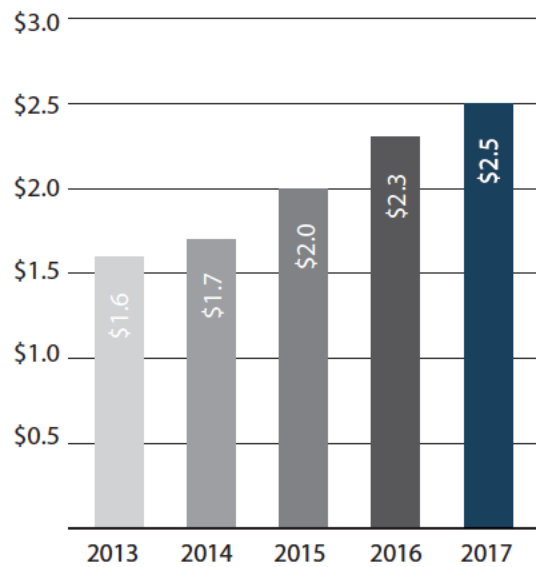
Composition of Deposits



Total Loans (in billions)



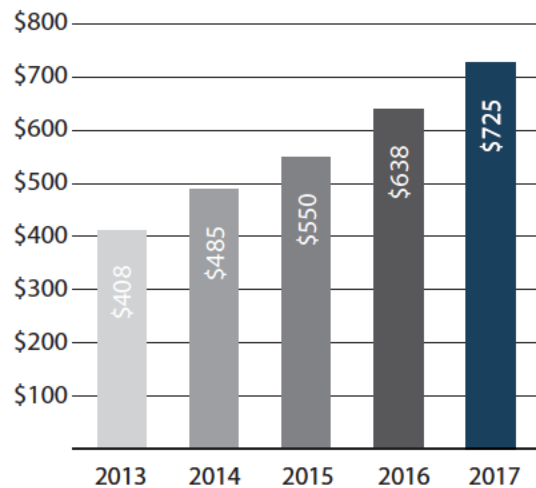
Total Deposits (in billions)



Composition of Assets Under Management



Assets Under Management (in millions)



Brookhaven | Chadds Ford | Chester Springs | Downingtown | Eagle | East Norriton | Glen Mills | Harleysville
Granite Run Drive – Lancaster | Rohrerstown Road – Lancaster | Lansdale | Limerick | Oxford | Paoli | Parkesburg | Phoenixville
Pottstown | South Coatesville | Springfield | Thorndale | Warminster | West Chester | West Norriton

For more information on all that Citadel offers, visit CitadelBanking.com or visit any of our branch locations. To speak with one of our customer service representatives, please call (800) 666-0191 or visit CitadelBanking.com/ContactUs.



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