

President/CEO Report

Towpath Credit Union has a long history of serving members with quality financial products and services. In recent years, words like stability and security have taken on a more serious meaning for many financial institutions across our nation, and Towpath Credit Union has long understood its deep importance. During this time, Towpath Credit Union has stayed a steady course, consistently being a leader among financial institutions by practicing earnest soundness - your credit union remains stable, secure, and viable.

Technological innovation, desirable products and a strong bottom line are crucial to any financial business. But we realize that without membership growth, these important components don't always add up to success. In 2012, Towpath Credit Union added more than 1,216 new members, bringing our total membership population to more than 22,000. These new member-owners have taken advantage of the many benefits of our Credit Union. This would not be possible without you the members who continue to use Towpath as their source for financial solutions; we are grateful for your support. We know that you have a choice in financial institutions, so we thank you for choosing Towpath Credit Union to be your trusted financial partner.

With an ever-changing technology landscape come new demands and a greater need to invest in innovation. Our commitment is to provide our member-owners

with multiple channels to do business with us. We continue to attract more participants through our extensive ATM Network with Money Pass and Alliance One, Our CU Service Centers (Shared Branching — with more than 5,000 credit unions), Towpath Credit Union online banking or the 24 Automated Voice Response System as well as new additional popular technology updates such as our smartphone apps and text notifications message.

For the coming year and beyond, Towpath Credit Union will continue to find even better ways to serve and communicate with our members. The success of our organization comes from a mix of several ingredients. First, it is the Board's vision about the implementation of technology in the Credit Union's future. Secondly, it is the members continued support of all our products and services that we offer now and plan for the future. Thirdly, it is the staff's training, dedication and commitment to the members that make it all come together. We are continuing to blend these ingredients as part of our process to make improvements at your Credit Union.

Towpath Credit Union remains a sound financial institution with the ability to provide quality products and services to our members as we continually strive to uphold our promise to create a culture of caring for members, employees and our communities.

Respectfully submitted,
Rose Bartolomucci CCE



Credit Committee

The Credit Committee recommends loan policies for approval by the Board of Directors. The responsibilities of the Credit Committee are to review loan applications, review all loans granted, review rejected loans, and to recommend loan policies for approval by the Board of Directors.

In 2012, the Committee approved 2,316 loan applications. The loans that were approved totaled \$17,347,611.

Many thanks to the Committee for their time and for a job well done.



Veronica Cromer, Chair

Nomination Committee

The nominating committee is appointed by the Board of Directors to recruit qualified candidates and is made up of 3 directors who will not be standing for re-election in the upcoming year.

Each year the three year term of one third of the members of your Board of Directors expires. Annually a call for member nominations is conducted. This year there were three names in nomination for two positions. Congratulations to the following: Judi Bevly-Hill and Richard Hager that were elected by the membership to three year terms.

Your 2013 Board of Directors include: Carole Orosz, Lester Carney, Ernest Steele, Robert Dengler, Judi Hill, Phillip Montgomery and Richard Hager.
Nomination Committee



Carole Orosz, Ernest Steele, Robert Dengler

2012 ANNUAL REPORT

TOWPATH
CREDIT UNION



Statement of Financial Condition December 31, 2012, 2011 and 2010

| Assets | 2012 | 2011 | 2010 |
|--|----------------------|----------------------|---------------------|
| Cash | 16,977,374 | 11,721,712 | 3,333,928 |
| Loans to Members | 46,519,184 | 51,236,298 | 31,486,515 |
| Investments | 45,267,435 | 43,051,903 | 33,442,668 |
| Insurance Reserves | 1,288,003 | 1,270,415 | 590,353 |
| Land, Buildings and Equipment Net of Depreciation | 2,921,723 | 3,253,484 | 2,578,421 |
| Accrued Income, Prepaid Expenses and Other Assets | 1,264,155 | 1,528,100 | 778,009 |
| | \$114,237,874 | \$112,061,916 | \$72,209,894 |
| Liabilities and Members' Equity | | | |
| Accounts Payable and Other Liabilities | 585,435 | 472,657 | 186,358 |
| Members' Savings | 101,116,580 | 99,271,578 | 63,374,469 |
| Reserves and Undivided Earnings (internally prepared) | 12,535,859 | 12,317,680 | 8,649,067 |
| | 114,237,874 | 112,061,916 | 72,209,894 |

Your Credit Union's Growth at a Glance

| | Total Assets | Total Loans |
|------|---------------------|--------------------|
| 2003 | 59,906,112 | 25,127,849 |
| 2004 | 58,683,409 | 25,794,850 |
| 2005 | 57,339,091 | 38,764,253 |
| 2006 | 57,895,547 | 42,294,804 |
| 2007 | 61,617,417 | 37,917,922 |
| 2008 | 59,912,617 | 34,456,024 |
| 2009 | 67,734,593 | 35,443,167 |
| 2010 | 72,209,894 | 31,486,515 |
| 2011 | 112,061,916 | 51,236,298 |
| 2012 | 114,237,874 | 46,519,184 |



Board of Directors

2012 The Year of Challenge and Change

While this past year brought many challenges for our staff it has also brought much change. Your Board of Directors has been here to represent you, our members, as sometimes change is not easy. Our management team has worked very hard to make changes as transparent as possible, while keeping our member's best interest as a priority.

There have been many new and improved services made available this past year and we hope you will find them useful. Modern enhancements to services such as web-site access, on-line banking, debit cards and ACH make banking easier and more convenient every day. We will continue to provide the best financial experience available to our members.

I would like to thank our members for their loyalty and financial responsibility which has made the Credit Union what it is today. Continue to tell your friends, co-workers and family about YOUR Credit Union. Thus, keep your Credit Union in mind and give it a look when seeking a loan or other financial services.

We look forward to serving our members in 2013 and foresee a prosperous year.



Carole Orosz
Chairman

Annual Certified Audit

Towpath Credit Union employs the Certified Public Accounting firm of Lillie & Company. They perform an audit of the credit union's financial statements. The objective of this audit is to determine the credit union's financial statements are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP). In the opinion of our Certified Public Accountants, the December 31st, 2012 statement of financial condition is fairly stated in accordance with GAAP. Towpath Credit Union remains financially safe and sound. As a financial institution in the community, we are poised to maintain our position of stability despite a tough economy. It has been my pleasure to serve you in this capacity.



Ernest Steele
Treasurer