



2013
annual report

Federally insured by NCUA



Amid incremental signs of growth, the U.S. economy continued to slowly improve throughout 2013. Challenging times for members, as well as for Commonwealth One, are not over but there is significant light at the end of the tunnel. We thank you, our members who continue to support us and who appreciate our mission to always act in your best interest.

One of the most important reasons consumers join a credit union is to borrow wisely. In 2013, Commonwealth One developed the Member Assistance Program to help those impacted by emergency hardship – natural disaster, temporary layoffs, or something like the congressional budget impasse. Helping members borrow is what credit unions do, and we do it better than anyone, as evidenced by the fact that loans increased \$12.5 million, or 6.11%, over 2012.

Decisions to fine-tune our loan programs don't just occur haphazardly. Rather, they are the result of our philosophy that stresses cooperation and an organization-wide understanding that Commonwealth One exists only to serve our members. This fact actually provides a competitive edge: while banks are concerned with satisfying their stockholders (an objective that sometimes runs counter to satisfying their customers), a credit union's only concern is satisfying its members. And by doing that as well as we do, Commonwealth One continues to grow, even during challenging financial times.

New for 2013

In April of 2013, we introduced Mobile MyDeposit, which allows members to deposit checks from anywhere using their smartphone. The Federal Reserve has said it is the most important development the financial services industry has seen in years. Our members agree: Mobile MyDeposit is a must-have service for those who demand efficiency and convenience.

Because Online Branch will continue to play an ever-expanding role in members' financial lives, we introduced a new, more reliable online banking system in 2013, with expanded services:

- New options for expediting Bill Pay payments on the same day or overnight
- Expanded transfer options that allow you to easily move money between Commonwealth One and other financial institutions
- Popmoney® (Pay Other People) on our mobile app to send money to anyone
- Multiple account alerts that give you more control over your finances
- Secure communications, so you can email detailed messages that even include account information

As an added convenience, the cumbersome "phone call/text message/email with a security code" login was replaced with security containing an image, passphrase, and security questions.

Member Communications: A major goal

One of my most important goals on becoming President/CEO was to dramatically improve member communications, which I believe is a major difference between Commonwealth One and other financial institutions. So, I began "Ask Charlotte" in January 2013 at cofcu.org. Over the year I was contacted numerous times by members asking for assistance with an issue or complimenting staff, and I have been able to personally communicate with each

member. This new communication avenue has produced a positive change in a majority of members' impressions of CommonWealth One.

On another issue of major importance to the credit union industry, CommonWealth One supported the Credit Union National Association's (CUNA) "Don't Tax My Credit Union" campaign with information in newsletters, branches, and online.

Community Involvement

Involvement in the communities we support has always been an important goal of CommonWealth One. Each year we support the Credit Union Cherry Blossom Ten Mile Run to raise funds for the 170 Children's Miracle Network Hospitals (see photo on page six). Our staff volunteers to perform critical tasks to help make the race happen. Since credit unions began sponsoring the race in 2002, over \$6.5 million has been raised.

Because CommonWealth One believes that financial literacy is a critical step in achieving security, we continued our successful legacy of financial education. We updated our youth program to provide an interactive website for youth and parents with many financial education tools. It's called The Centsables, for youth ages 5 to 12, a critical age group for establishing good financial habits. We also created a Youth Financial Educator position, the primary responsibility of which is to work with elementary schools on Credit Union Days, as well as provide classroom presentations for youth on practical financial topics. In our outreach to adult and young adult members, we continued offering financial seminars at employee workplaces and at James Madison University on credit, identity theft, smart borrowing, and more.

Challenges of 2013

While I'm happy to report all the good news of 2013, there were regulatory issues throughout the year that will present ongoing challenges. New mortgage rules originating from the recent housing collapse shackled both credit unions and members by making it more difficult to buy a home. As we adhere to these new mortgage rules, we'll continue to provide the funds you need to buy a new home, refinance your current home, or improve your current home with a home equity loan.

The message I would like every member to take away from this report is that "CommonWealth One is your credit union!" If 2013 taught us anything, it's that we are resilient and always striving to exceed members' expectations, even in the face of industry challenges. But to continue to grow and evolve, we need a commitment that you will always check with CommonWealth One first whenever you need financial services. We also need to hear from you because listening and responding to your needs is what makes us successful and what sets us apart from the bank down the street.

Thank you to everyone associated with CommonWealth One in 2013 for a job well done as we look forward to a repeat performance in 2014!

Charlotte H. Cash • President/CEO

Last year was another in a long string of positive years for Commonwealth One Federal Credit Union.

In addition to adding a Chief Marketing Officer in late 2012, Commonwealth One successfully integrated an experienced executive management team consisting of a new Chief Information Officer, Chief Operating Officer, and Chief Human Resources Officer.

Because online banking is so critical to members' financial lifestyles, we selected a new partner that offered greater reliability, ease of use, and features. We were able to perform a near-transparent conversion from our current provider.

In keeping with credit unions' historical philosophy, we initiated new outreach efforts to obtain more feedback from members. In addition to President/CEO Charlotte Cash's "Ask Charlotte" section on our website and her quarterly videos, we solicited feedback via email surveys. We also increased member communications through new digital channels. While some organizations use feedback to merely placate users, we rely on it to provide valuable information on what our members need to improve their financial lives. Invariably, these surveys result in better service.

Central to any well-run organization is a commitment to efficiency and cost reduction. While for-profit organizations rely on cost containment to provide more money to stockholders, Commonwealth One relies on cost reduction to provide more value to our member-owners. In 2013, we achieved cost reductions by renegotiating contracts to arrive at more favorable terms, resulting in significant long-term savings. We also implemented newer, more efficient, and lower-cost technologies, and expanded the use of existing technologies without incurring additional cost, all while improving member service.

CommonWealth One supported these community organizations during 2013:

Alexandria Aces Baseball:
Team Sponsor

Alexandria Chamber of Commerce:
Heals and Wheels
Philanthropic Breakfast
Valor Awards Luncheon

Alexandria Walk to Fight
Breast Cancer

Camp Kekoa Music Festival
(Alexandria's Police Youth
Camp fundraiser)

Children's Miracle Network

City of Alexandria:
Emergency Management Fair
Spring for Alexandria
Community Partners for Children

City of Harrisonburg
Office on Children and Youth

Credit Union Ten Mile Cherry
Blossom Run

First Step Shelter

Harrisonburg 5K Race to Beat
Breast Cancer

Harrisonburg-Rockingham
County Chamber of Commerce
High School Symposium

Harrisonburg Rotary Fall Fest

Valuable new member initiatives were introduced in 2013. By instituting a more focused lending approach, we increased our home equity loan-to-value ratio to 90%, enabling members to borrow more against the equity in their homes. Commonwealth One also offered special-rate purchasing and balance transfer Visa® promotions, which many members used to lower their cost of borrowing. Of major importance is that we helped more members realize college dreams by lending more than \$1 million in private student loans. Concerning auto loans, members really appreciated their ability to finance more, up to 125% of their vehicle's value.

CommonWealth One also placed first in our asset category for the Desjardins Youth Award in Virginia, named for Alphonse Desjardins, the founder of the North American credit union movement. Desjardins pioneered cooperative savings and loan companies that encouraged the working classes to save and plan for the future and provided the credit they needed for economic recovery. Commonwealth One won this award because we are committed to teaching the younger generation, as well as adults, how to achieve financial security by managing money and credit wisely.

As the economy continues to slowly climb out of the most severe recession in U.S. history, it's important to note that your credit union ended 2013 in a strong financial position, the result of our dedicated Board of Directors, a committed management team, and a hard-working, devoted staff. Most important, however, is our members, who continue to choose Commonwealth One as their primary financial institution, even in the face of ever-expanding financial competition.

Rupert J. Jennings, III • Chairman

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| Harrisonburg Turks Baseball:
Team Sponsor | Providence Hospital Foundation |
| INOVA Alexandria Hospital:
Emergency Management & Safety Fair | Salvation Army:
Bell Ringing |
| James Madison University
Scholarship Fund | Scripps Spelling Bee |
| JMU 1787 Orientation:
Book Scholarships | Shred Days for our Communities |
| March of Dimes Walk for Babies | Small Business Development Council |
| Massanutten Regional Library Summer
Reading Games | T.C. Williams High School:
Academy of Finance |
| National America Saves Campaign | Warm Hearts Coat Drive |
| Northern Virginia Housing Expo | West End Business Association:
Meeting Space |

CommonWealth One continued its positive trend in the lending area, as total loan balances increased by \$12.7 million to \$219.8 million in 2013, a 6.12% increase over 2012. Non-performing loans that were charged-off also continued its downward trend, as net charge-offs decreased from \$1.3 million in 2012 to \$1.2 million in 2013.

To meet your borrowing needs, CommonWealth One began a comprehensive review and restructure of its lending processes during 2013. These efforts to improve the lending operation will:

- Reduce loan processing times,
- Improve the quality of the loan portfolio and internal controls, and
- Improve member loan servicing

In 2013, CommonWealth One issued 3,713 consumer loans and lines of credit totaling \$41.4 million. The two loan types that increased the most in popularity in 2013 were home equities and personal loans. One hundred twelve home equity loans and lines of credit were issued in 2013 for \$6.8 million. This was a 52% increase over home equities issued in 2012. Also, 1,100 personal loans were issued in 2013 for \$5.6 million, a 26% increase over 2012.

To ensure that the membership is fully aware of our excellent loan products we initiated a number of new campaigns during 2013. These loan campaigns focused on personal loans, Visa credit limit increases, Visa purchases, Visa balance transfers, and pre-approved auto loans. In 2013 we also continued to seek ways to obtain high-quality loans through participation loans with other credit unions. All of these efforts helped CommonWealth One increase its Loan to Share ratio to 78.27%, an increase of 3.59% over 2012.

In summary, throughout 2013, we continued to meet your needs for loans at competitive interest rates. We will continue to work hard to earn your trust so that all members will see CommonWealth One as the first choice for loans.

James Lee • Chief Operations Officer



Employees work the bag check area for the Credit Union 10 Mile Cherry Blossom Run. Spring Community Shred Day, Alexandria.

In 2013, CommonWealth One did more than maintain its status as a stable and secure financial institution for our members. It continued to grow, thus providing our membership with a strong financial cooperative upon which you can rely.

Members wisely sought the safety and soundness of CommonWealth One, as evidenced by the following:

- Total assets increased significantly over last year, ending 2013 at \$316.5 million. This increase of \$8.8 million, or 2.87%, reflects your confidence in CommonWealth One's ability to remain steady in the face of ongoing economic uncertainty.
- Total member deposits increased moderately, ending the year at \$280.8 million, a \$3.4 million (1.23%) increase from 2012. While many financial institutions struggled to maintain their customer base due to their increased fees and diminishing service, CommonWealth One continued to be utilized by you as your primary financial institution.
- Total loans at 2013 year end totaled \$217.8 million, a \$12.5 million, or 6.11%, increase from the previous year.
- Net income for the year was \$752,817 which is slightly less than last year's net income of \$771,771 and without NCUA stabilization costs would have been \$974,688 in 2013 and \$1,027,530 in 2012.

Although costly, CommonWealth One continues to comply with ever increasing regulatory requirements, which have a direct impact on earnings. The Board of Directors, management, and staff will continue to deploy resources to strengthen our Credit Union to ensure it meets your future needs. Whether it's loans, deposits, or financial services, CommonWealth One is always prepared to serve your needs and to fulfill our commitment to be "Your Lifetime Financial Partner."

William P. Jackameit • Treasurer



Alexandria Aces baseball game sponsor's table.



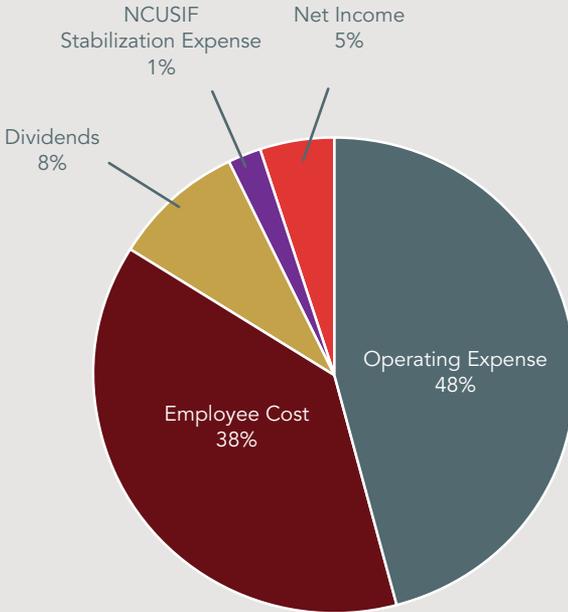
JMU Branch Manager visits with parents of incoming first-year students during summer orientation.

Statement of Operations (unaudited)

	2013	2012
Income		
Interest on Loans to Members	\$ 9,868,066	\$ 10,111,869
Interest on Investments	1,187,200	1,340,627
All Other Income	4,222,106	4,017,408
Total Operating Income	\$ 15,277,372	\$ 15,469,904
Operating Expense		
Compensation & Employee Benefits	\$ 5,788,144	\$ 5,927,753
Office Operations	5,170,191	5,774,428
Office Occupancy	712,721	652,598
Provision for Loan Losses	1,405,072	910,772
Interest on Borrowed Money	16,082	155
Total Operating Expense	\$ 13,092,210	\$ 13,265,706
Income before Dividends on Members' Shares	\$ 2,185,162	\$ 2,204,198
Dividends on Members' Shares	1,304,886	1,491,905
Income after Payment of Dividends	\$ 880,276	\$ 712,293
Other Non-Operating Income	94,412	315,237
Net Income before NCUSIF Stabilization	\$ 974,688	\$ 1,027,530
NCUSIF Stabilization Expense	\$ (221,871)	\$ (255,759)
Net Income after NCUSIF Stabilization	\$ 752,817	\$ 771,771

DISTRIBUTION OF GROSS INCOME

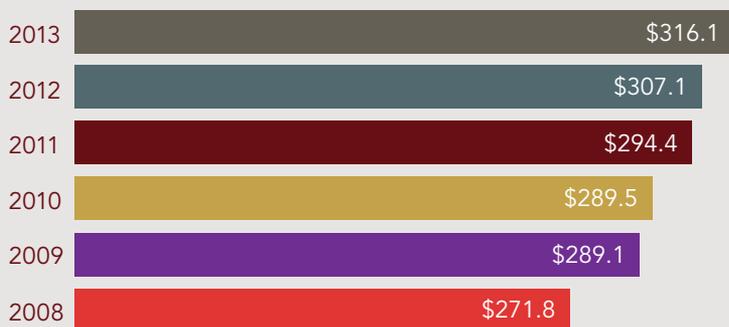
Operating Expense	\$7,304,066
Employee Cost	\$5,788,144
Dividends	\$1,304,886
NCUSIF Stabilization Expense	\$221,871
Net Income	\$752,817
Gross Income	\$15,371,784



Statement of Financial Condition (unaudited)

	2013	2012
Assets		
Loans to members (net)	\$ 217,800,528	\$ 205,266,989
Cash & cash equivalents	11,147,305	25,323,972
Investments	78,733,051	67,352,233
Accrued interest receivable	709,185	664,484
Property & equipment, net	4,007,822	4,337,013
Other assets & prepaid expenses	4,140,728	4,757,385
Total Assets	\$ 316,538,619	\$ 307,702,076
Liability, Share Accounts and Equity		
Accounts payable & accrued expenses	\$ 2,245,707	\$ 4,760,066
Dividends payable	275,769	312,898
Borrowed Funds	7,000,000	-
Shares to Members		
Share Certificates	75,892,998	80,556,937
Share Draft Accounts	50,813,290	50,381,036
Other Share Accounts	154,132,655	146,449,500
Total Shares of Members	\$ 280,838,943	\$ 277,387,473
Members' Equity, partially restricted		
Regular reserves	\$ 3,859,344	\$ 3,859,344
Undivided earnings	24,139,003	23,386,187
Accumulated other comprehensive income	(1,820,147)	(2,003,892)
Total members' equity	\$ 26,178,200	\$ 25,241,639
Total Liabilities, Share Accounts & Equity	\$ 316,538,619	\$ 307,702,076

Assets (dollars in millions)



Net Loans to Members (dollars in millions)



The Supervisory Committee is appointed by the Board of Directors to safeguard the assets of Commonwealth One Federal Credit Union. To meet this objective, the Committee:

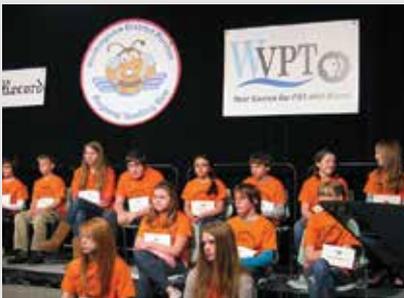
- Arranges for and oversees audits
- Ensures federal and state regulations, as well as Credit Union bylaws, are followed
- Reviews internal audit reports and other documentation
- Confirms financial reporting obligations are met
- Checks internal control policies and procedures

Our internal auditors, Orth, Chakler, Murnane and Company, CPAs perform internal audits to ensure operations are in accordance with policies and guidelines. CliftonLarsonAllen LLP conducted the annual audit of our Financial Statements for the year ended December 31, 2013. Based on their examination, as well as our own review of Management's and Board of Director's actions, the Supervisory Committee has determined that Commonwealth One is financially sound and internal controls are operating effectively.

The National Credit Union Administration (NCUA) completed an examination of the financial condition of your Credit Union and our compliance with applicable rules and regulations was performed as of March 31, 2013. There were no significant compliance findings.

The Supervisory Committee thanks management, staff, and our members for their assistance and cooperation throughout 2013.

Ben Perchik • Chairman



CommonWealth One sponsored the Scripps Regional Spelling Bee, Harrisonburg.



Spring Community Shred Day, Harrisonburg.

Financial Education

CommonWealth One is invested in our communities and the financial wellbeing of the residents. One of the ways we demonstrate this is through our financial education efforts and free financial counseling programs.

Adult Financial Education

CommonWealth One has also taken the lead in presenting financial education seminars and offering financial counseling to our communities and partner groups:

- Take Charge — Wise Use of Credit Cards
- Creditability
- Budgeting
- Identity Theft
- Understanding Your Credit Score
- Get Organized! What You Need to Know

Youth Financial Education

During the year, CommonWealth One presented 25 financial education sessions to students in our communities reaching 1,479 students. We also participated in “Reality Store” and poverty simulations, and worked with the Family and Community Engagement Center (FACE) in Alexandria to present the “Kids Marketplace” financial education activity. We worked with the following schools:

- James Madison University
- Turner Ashby High School
- Francis Hammond Middle Schools: 1 and 3
- Cora Kelly School for Math, Science and Technology
- John Adams Elementary School

In 2013 CommonWealth One also partnered with T.C. Williams High School, City of Alexandria Dollarwise Committee, Northern Virginia Juvenile Detention Center, and Charles Houston Recreation Center, teaching various financial skills.

As a result of these efforts, CommonWealth One was awarded First Place by the Credit Union National Association for financial education in Virginia.

Monthly Credit Union Days:

- Cora Kelly School for Math, Science and Technology
- Francis C. Hammond Middle Schools
- George Washington Middle Schools
- James K. Polk Elementary School
- Mount Vernon Community School
- T.C. Williams High School — Minnie Howard Campus
- William Ramsay Elementary School

2013 Scholarship Winners

Kathryn R. Coleman Scholarship:



Luke Dillard
Virginia Tech



Jace Ross
Pace University

T.C. Williams High School Scholarship:



Sabina Baidoo
Virginia Commonwealth
University



Courtney Booterbaugh
Marymount University

Community Organizations

CommonWealth One actively participates in community organizations including:

- Alexandria Small Business Roundtable
- Alexandria Chamber of Commerce — Ambassador
- City of Alexandria — Dollarwi\$e Committee
- Del Ray Business Association
- DC Chamber of Commerce
- Harrisonburg — Massanutten Rotary Club
- Harrisonburg — Rockingham County Chamber of Commerce
- Harrisonburg — Rockingham Co-op Roundtable
- March of Dimes Committee
- West End Business Association — Secretary/Board Member

Welcome New 2013 Partner Group

Right at Home DC now offers credit union membership as part of their employee benefits package.

Board of Directors

Rupert J. Jennings, III
Chairman

John F. Knight
Vice Chairman

John D. Hulvey
Secretary

William P. Jackameit
Treasurer

Robert G. Darius
Archie B. Ford

Daniel A. Neckel
Kathleen C. Ognibene

Mary L. Summers
Lyle C. McLaren, Jr.
Director Emeritus

President/CEO

Charlotte H. Cash

Supervisory Committee

Ben Perchik
Chairman

Jesse Horneber

George McAndrews

Daniel Murray

Georgia Wright-Hewitt

Branch Locations

Main Branch

4875 Eisenhower Avenue
Alexandria, VA 22304

Humphreys Engineer Center Branch*

7701 Telegraph Road
Alexandria, VA 22315

T.C. Williams High School Branch*

3330 King Street
Alexandria, VA 22302

Providence Hospital Branch

1150 Varnum Street
NE Washington, DC 20017

GAO Branch*

441 G Street
NW Washington, DC 20548

Harrisonburg Regional Branch

42 Terri Drive
Harrisonburg, VA 22802

James Madison University Branch

Gibbons Hall
150 Bluestone Drive
Harrisonburg, VA 22807

**Restricted Access*



Employees and family members supporting Alexandria's Walk to Fight Breast Cancer.



Commonwealth One
Federal Credit Union
Your Lifetime Financial Partner

P.O. Box 9997 | Alexandria, VA 22304-0797

(703) 823-5211 | (800) 424-3334

www.cofcu.org

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Front Cover: Cherry blossoms in bloom during the Annual Credit Union 10 Mile Cherry Blossom Run.
Back Cover: Spring Community Shred Day, Alexandria.