Chairman & CEO's Report

Robert Lawrence, Chairman, 30-year member
William H. White, CEO, 26-year member

In 1998, the CreditUnion Membership Access Act was signed into law. This Act gave all consumers the right to choose where they wanted to conduct their financial affairs, at a bank or credit union. That was a great day in history for credit unions and a big win for consumers. However, the Act also included more stringent capital requirements for credit unions – something added by the Banking lobby group. Credit unions are now required to have a minimum net worth ratio (capital) of 6% to be considered "adequately capitalized." A 7% ratio is deemed "well capitalized." Banks, on the other hand, are considered "adequately capitalized" at 5%. In spite of our stronger insurance fund, credit unions must now have higher capital requirements. Their "rationale" was based on the fact that banks can raise capital fairly quickly through stock options and credit unions cannot.

Credit unions nationwide experienced very strong asset growth in 2000 and 2001. Last year was a phenomenal year in asset growth for us mainly due to the stock market downturn which caused a "flight to quality" from the market to credit unions and other institutions. To most people, growth is a great thing, but in reality it's both good and not so good. Our asset growth (Certificates, Money Markets, Savings, and Checking) has outpaced our income growth. As the Treasurer's Report reflects, income growth remains very strong, but not strong enough considering a 29% asset growth.

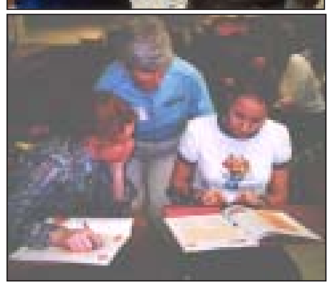
For years SYNERGY ONE has focused on internal efficiencies, but we still need more of our members using more of our products, particularly loans. Members can also help with efficiencies by using more of our lower-cost electronic services such as online banking, bill payment, VISA Check Card, and direct deposit. If every member switched just 2 transactions monthly to electronic means in lieu of the high-cost channels such as calling to make a transfer or in-person payroll deposits, we would reduce expenses thereby increasing income and offering higher dividend rates. Members with a relationship with the credit union (using multiple products or services) truly benefit the credit union and members.

Our goal is to provide more branches throughout our community: Manassas, Manassas Park and the County, but it will be more difficult if our net worth ratio (capital) remains just above 6%. Therefore, we have to keep expenses in check, increase loan volume and income, and control asset growth.

So please do your part by taking advantage of the variety of services and products we have and think of your credit union first for your next loan (re-finance one you have now). We thank you for your support and will continue to provide ours to you.

✦ 2001 Highlights ✦

- Assets increased to over $139 million, our 7th consecutive year of growth
- Share deposits reached $131 million
- Total membership reached over 22,500, representing nearly 18% growth
- We enhanced our lending policy to enable us to make more loans to more members
- We continued our Bill Payment Services as FREE due to the overwhelming adoption of the service by members
- We reached 619 area high school students through 33 hours of classroom presentations on financial education skills
- The credit union, employees, and members provided donations and money for the American Red Cross Disaster Relief Fund, March of Dimes, S.E.R.V.E. and 39 other community organizations



Serving Our Community: Prince William County, Manassas & Manassas Park

US Marine Corps representatives collect toys donated by employees and members for Toys for Tots. President/CEO William White welcomes Heltzel-SYNERGY ONE Mortgage Company CEO Rob Heltzel. Patty Browne, Community Relations Officer, works with students at Brentsville High School on financial education skills. CEO William White presents representatives of the Prince William Chapter American Red Cross with a contribution.

Treasurer's Report

Jim Salmon, 11-year member

It was 10 years ago that I wrote my first Treasurer's Report to the members of this institution. In that report, I characterized the preceding fiscal year as an interesting one for all financial institutions, including your credit union. In 1991, the interest rates on the credit union's two primary sources of income, loans and secured investments, declined significantly throughout the year. In response, management and the Board of Directors worked to keep operating expenses in line to maintain the continued sound financial condition of the credit union. Decreasing dividend rates was just one of the difficult decisions that had to be made in order to keep expenses in check.

Well, it's 10 years later and we have come full circle. What we had to do in 2001 was no different than what we had to do in 1991, except that we had to respond more aggressively in 2001 to mirror the rate changes The Federal Reserve was making. *Who could have ever imagined that The Federal Reserve would cut its interest rate 11 times over a 12-month time frame!*

Remarkably, in 2001, not only did we achieve our targeted earnings, but we also completely surpassed our asset growth projections. Generally, a dual accomplishment such as this would be grounds for celebration, but for SYNERGY ONE it cannot be. As an overall percentage of our size, the demand for loans actually fell in 2001. If loan demand doesn't increase in 2002, it will make growing our capital reserves to an adequate level a challenge — especially if we continue to grow in assets as we did in 2001. To address this challenge, we established a new mortgage division – Heltzel-SYNERGY ONE Mortgage Company — to offer our members more mortgage options. In addition, we re-vamped our credit card program with CU Rewards to encourage increased member use.

Overall, I continue to be pleased with SYNERGY ONE's financial condition. We have positioned ourselves well in order to continue to better serve you in a first-rate manner, offering extremely competitive and innovative products, as well as good rates. I encourage all of you to support SYNERGY ONE in 2002 and to enjoy all it has to offer. As I have stated in prior reports, and will continue to state, your support and participation will be key to our future success. So, look to your credit union first for all your financial needs.

Supervisory Committee Report

Michael F. Szedlock, Chair, 31-year member
A. Roger Garman, 30-year member
Willis Peterson, 21-year member
Harold Post, 26-year member
Richard J. Talomie, 20-year member

The Supervisory Committee's responsibilities are to review your credit union's operation and provide independent oversight; investigate member complaints to ensure that all members are treated equally, fairly, and with respect; and review loan and share accounts. This input is an important source of information for improving your credit union's operation. The Committee members are appointed by the Board of Directors to see that audits are conducted on credit union records to determine their accuracy, while ensuring internal controls are established to protect member assets. The Committee helps to ensure that your credit union is in compliance with the Federal Credit Union Act, Federal Regulations, Credit Union Bylaws, Policies and Procedures.

One audit was conducted in 2001 by the certified public accounting firm of McGladrey & Pullen, LLP and one exam by our Federal Regulator, the National Credit Union Association. They performed an audit of the credit union's financial statements as of and for the year ended December 31, 2001. The Committee's findings along with the results of the McGladrey & Pullen, LLP audit, indicate that the financial statements, as of the audit dates and for the year then ended, are fairly stated. In addition, reasonable internal controls have been established to safeguard credit union assets.

Financial Highlights

Condensed Statements of Income

	2001	2000
Operating Income		
Interest on Loans	$ 6,964,030	$ 6,314,213
Income from Investments	1,312,655	1,437,874
Rental Income	450,493	472,331
Fees & Miscellaneous Income	1,364,142	1,054,613
Total Operating Income	10,091,320	9,279,031
Operating Expenses		
Compensation & Benefits	2,146,268	1,914,436
Office Operations	2,363,672	2,267,075
Rental Expense	328,221	370,992
Provision for Loan Losses	260,000	177,500
Interest on Borrowed Money	0	105,273
Total Operating Expense	5,098,161	4,835,276
Non Operating gains(losses)	12,005	(24,408)
Income Before Dividends	5,005,164	4,419,347
Less Dividends	4,210,390	3,511,436
Net Income	**$ 794,774**	**$ 907,911**

Condensed Statements of Financial Condition

	2001	2000
Assets		
Loans to Members (Net)	$ 93,138,726	$ 82,835,908
Cash & Cash Equivalents	23,351,813	13,793,801
Net Investments	16,427,501	9,781,685
Property, Equipment & Other Assets	6,399,860	5,763,805
Total Assets	**$ 139,317,900**	**$ 112,175,199**
Liabilities & Equity		
Notes Payable	$ 0	$ 0
Accounts Payable & Accrued Expenses	514,151	432,652
Total Liabilities	514,151	432,652
Members' Equity	130,497,133	104,125,047
Reserves	8,306,616	7,617,500
Total Liabilities & Equity	**$ 139,317,900**	**$ 112,175,199**

SYNERGY ONE Federal Credit Union
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(703)361-1422 x2 ❖ (800)825-1870 x2
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info@synergyonefcu.org

Heltzel-SYNERGY ONE Mortgage Company
9393 Forestwood Lane, Manassas, VA 20110
(703) 368-9248
12 Galloway Avenue, Suite 3B
Cockeysville, MD 21030
(410) 667-6672

SYNERGY ONE
FEDERAL CREDIT UNION

2001 Annual Report

Our mission is to provide superior service in a friendly, professional environment while maintaining financial soundness and stability.

Our vision is to be the community's first choice for financial services.