

Annual Report 2012

Making a difference through excellent service, innovative financial solutions, and building meaningful relationships.





Nizari PFCU SBA Loans

Money can be used for:

- Machinery, equipment & fixtures
- Property for business
- Inventory
- Working Capital
- Improvements
- Debt-refinancing
- Leasehold improvements
- Construction
- Franchise
- And much more



Getting money for your business has never been easier.

www.nizaricu.org for eligibility and details

Things to look forward to:

Student Loan Consolidation

Combine all your student loans into one low interest loan.



Competitive Rates

Up to a 10 year term

One fixed monthly payment

loan details available online or at a branch near you

Resident Investment Property



Up to \$417,000
Competitive Rates



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Board of Directors



Dr. Faiza Khoja
Chairperson



Kamruddin Shams
Vice Chairman



Ajmal A Rahim
Honorary Secretary



Abid Huda
SC Chairman



Naushad Hirani
Director



Hussain Jawer
Director



Amin Mukhi
Director



Sultan Mukhi
Director

Letter from Chairperson

Esteemed Members of Nizari Progressive Federal Credit Union, Ya-Ali Madad

Let me begin by saying that with the grace of Hazar Imam, Nizari had a very prolific 2012. Not only did we meet our financial and strategic objectives but we surpassed them. Our diligent and competent staff played a pivotal role in this success and so did you, the members, who depicted trust, loyalty, and commitment to Nizari. We at Nizari have no doubt that Nizari shall continue to build a sustainable institution whilst better serving the needs of its members and the Jamat.

A few notable accomplishments of last year are:

- Resumption of business loans.
- IT conversion for efficient operations and improved member service.
- Meet and greet with varying councils and other sister institutions, and support of Jamati programs
- 401(K) retirement plan and professional/career development to staff
- Creation of advisory committee to support board portfolios
- Improved rating and minimal audit findings

Our success and achievements over the past few years are attributable to the vision and mission of the institution that are in itself deeply rooted in our core values of commitment, transparency, trust, collaboration and professionalism.

COMMITMENT - Nizari has a team of dedicated staff, who are genuinely committed to the success of the institution. It is not simply a "job" for them, it is a chance to facilitate and help members of their Jamat. Along the way mishaps and mis-communications do occur, but we accept and learn from our mistakes. Our professional board of directors volunteer their time and expertise to counsel and advice the staff and to remediate any of members' concerns and discourse.

TRANSPARENCY - Nizari is your credit union and you, the member, have the right and obligation to ask the board and staff any strategic and operational questions. We have fiduciary responsibility to our members to have complete disclosure and be accountable for our decisions. Having said that, rest assured no confidential information is shared internally or externally. Both the staff and the board are under oath to protect members' privacy.

TRUST - You have entrusted us with your monies and we as custodians work in your interest. Every decision and action takes us one step towards accomplishing a more stable and sustainable institution for us and for generations to come. Without your trust and faith in us, we could not have achieved and strived for what Nizari is today. Staff and board share the same level of trust and integrity amongst themselves.

PROFESSIONALISM - At Nizari, our staff is encouraged to take advantage of training and educational opportunities provided to them. This not only allows them to determine their career paths but also assist the institution to build capacity. Our staff is proud to work at Nizari and we look to attract talent from our Jamat when needed. The board constitutes of members who are experts in their respective fields and bring a wealth of knowledge and experience with them. Strategic decisions are primarily based on factual analysis and not on intuition.

COLLABORATION - We value partnership and relationships with our stakeholders at Nizari and the most important stakeholder is you, our members. We are motivated and committed to providing the best member service, competitive dividend and loan rates and products and services to fulfill your needs. We also maintain working relationships with Jamati institutions, trade associations, and councils by participating in programs and events, and developing products and services to accommodate their requirements. On the back end, we have the support of our vendors from technology providers, to tile companies, to other community banks, to name a few. Internally, the board of directors, the advisory committee, and staff collaborate and cooperate amongst and between themselves to achieve the desired outcomes.

Nizari's growth and expansion is inevitable. We have the potential to expand geographically and to attract various segments of our Jamat by offering relatable products and services. In addition, we plan to update our technological platform, making it more compatible for us to accomplish future goals. We will continue to solidify our relationship with Jamati and sister institutions by working for the common good of our Jamat.

More than three decades ago, when five members of our Jamat constructed the idea of creating a credit union, they had perhaps envisioned what is today a reality. Thanks to the founding members' endeavors, the resilience of the board of directors and staff, and the support of the members, Nizari has become a household name.

Sincerely,

Dr. Faiza Khoja
Chairperson of the Board

Supervisory Committee Report

The Supervisory Committee is a statutory function and it serves the membership by providing assurance regarding compliance with policies, regulations and the law governing the Nizari Progressive Federal Credit Union (Nizari PFCU). Amongst other, the Committee's responsibilities include an annual audit and submission of a summary report to the members.

In the case of Nizari PFCU, this task has been outsourced to audit division of the Texas Credit Union League. Nevertheless, the Supervisory Committee periodically verifies cash balances, reviews specific transactions from internal control point of view and keeps an eye on Balance Sheet from strategic and risk management point of view.

Based on annual audit and on strength of review of internal controls, I feel comfortable in writing that the enclosed financial statement is reflective of the financial state of the Credit Union.

Since the report of the Supervisory Committee is included in the printed annual report; therefore, reading of the report was dispensed with.

Abid Huda
Chairman Supervisory Committee

Staff

Management	
Chief Executive Officer	Rob Hatefi
Director of Operations	Shaukathussain Jaffer
Loan Department	
Loan Officer	Saher Bawany
Credit Analyst	Nusrat Maknojia
Financial Services Rep.	Ali Khawaja
Collections Department	
Collection Supervisor	Hamidah Khorashi
Collector	Sobiya Maknojia
Accounting Department	
Accounting Manager	Nehi Todai
Accountant Assistant/HR Coordinator	Afsha Ali
Compliance Department	
Audit & Compliance Specialist	Ana Velazquez
Marketing Department	
Marketing Officer	Rufin H. Ali

Member Service Department HOUSTON	
Branch Manager	Nasrin Momin
Assistant Branch Manager	Rozina Rasiyani
Member Services Rep.	Raheela Lakhani
Teller	Sahina Ali
Teller	Sarmeen Karovadiya
Teller	Zahra Rajpoot
AUSTIN	
Financial Services Rep.	Murtaza Momin
DALLAS	
Branch Manager	Naseem Kheraj
Member Services Rep.	Nafisa Aziz
Financial Services Rep.	Sana Ali
Office Associate/Teller	Hena Karim
Operations Department	
Operations Supervisor	Salima Lalani
Operations Officer	Ali M. Khawaja
Operations Officer	Shahil Tejani
Operations Officer	Shamsah Sohail

Testimonials

I've been working at Nizari for over 2 years now, and these have been the greatest 2 years ever. I have seen Nizari grow from a small office to a big institution we are now, and it is a joy to be able to come to work everyday to help our community members.

Saher Bawany
Nizari Employee

Nizari is by far the best place I have ever worked at. It has given me the opportunity to grow and expand my skill set. In addition, being part of a credit union whose goal is to offer the best products and services, is an amazing feeling.

Nusrat Maknojia
Nizari Employee

With online banking, quick in and out service, and simple loan processes, Nizari continues to make banking easy and convenient.

Nimroz Momin
Nizari Member

Nizari has an extremely helpful staff. They made our home mortgage loan process easy and hassle-free. Without Nizari staff, our new home loan would not be possible.

Roshan Ali
Nizari Member

Operations

Letter From CEO

2012 will go down as the most successful year in Nizari Progressive Federal Credit Union's 23 year history. We achieved the highest level of net income (in excess of \$1 million), the lowest level of delinquency (0.76%) as well as approving over \$31 million in loans and line of credit to our members. These achievements were in line with the ambitious goals set forth by our Board in the 2012 Business Plan.

We also made a significant investment in training our staff to efficiently use in-house technologies and also to provide better customer service. Nizari's investment in training has resulted in improved service and greater degree of satisfaction for our members. One of the most significant, and ongoing, training efforts was to identify our "Emerging Leaders". These are staff members being groomed to take on additional responsibilities and leadership role; they represent a very bright future for Nizari.

Why have we been so successful? It is due to your continued trust and confidence in Nizari. Your trust and confidence motivates staff, management and the Board to take on greater challenges.

2013 promises to be an exciting year for Nizari and our members. We are planning to introduce an SBA Lending Program which will allow our members to obtain business loans that are greater than our present limit of \$1 million. So, if you have a big project planned in 2013, talk to us about our business loan options. We are also looking at additional channels of delivery, products and programs to enhance your Nizari experience.

I would like to thank the staff, management and the Board of Directors for all their hard work in 2012.

Harold Coffman
CEO (Retired)

Financial Performance Review

Nizari continued to maintain its financial performance during the period under review despite tough economic situation. The focus was to consolidate existing products and services, training our staff, and improving member services.

The overall financial performance for 2012 was better than for 2011. Operating Income increased by 10% to \$4.8 million. Operating income to gross income was 52% as compared to 75% for other peer institutions. This shows efficient operational performance. The net income for 2012 was over \$1 million which increased substantially over 2011 by 40%. Delinquency percentage dropped to an all time low to 0.76%.

We were able to maintain our upward momentum in loan growth. We granted \$29 million in loans to our members which included personal, auto, home mortgage, education, etc. Additionally, we granted over \$1.7 million in open line of credit. The total loan growth was 9% whereas for other peer institutions it was 3.03%.

We were able to maintain net worth to total assets ratio of 12.29% despite growth in assets from \$93 million in 2011 to \$98 million in 2012, while the net worth ratio for peer credit unions was 10.97%. The growth was due to share growth which increased from \$82 million in 2011 to \$86 million in 2012, an increase of 4.61% over the preceding year. Return on average assets was 1.11% compared to 0.49% for peer credit unions.

Our goal is to continue to serve our members to meet their financial needs and we thank them for their reposing confidence in us by utilizing the products and services.

Shaukathussain Jaffer
Director Operations

Statement of Financial Position

for the years ending December 31, 2012 and 2011

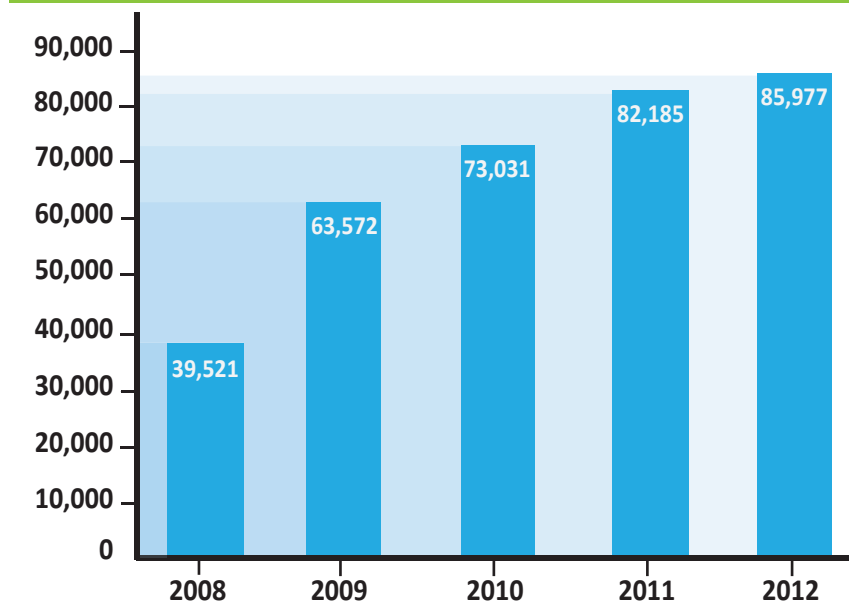
Assets	2012 (\$)	%	2011 (\$)	%	Variance (\$)
Loans to Members	65,512,404	66.73	60,422,164	64.76	5,09,240
Less: Allowance for Loan Loss	(497,329)	-0.51	(415,316)	-0.45	(82,013)
Total Loans	65,015,075	66.22	60,006,848	61.94	5,008,227
Cash in hand and at Bank	3,779,396	3.85	1,661,182	1.78	2,118,214
Investment	26,008,183	26.49	28,791,263	30.86	(2,783,080)
Advance, Deposits, Prepayments and Accruals	816,162	0.83	198,089	0.21	618,073
Capital Work in progress	-	0.00	-	0.00	-
Furniture, Fixture, Leasehold Impr & Equipment	2,817,722	2.87	2,770,066	2.97	47,656
Less: Acc Dep & Amortization	(607,995)	-0.62	(441,146)	-0.47	(166,849)
Fixed Assets - net	2,209,727	2.25	2,328,920	2.50	(119,193)
Accrued Income (interest on loans & investment)	346,893	0.35	313,520	0.34	33,373
Total Assets	98,175,436	100.00	93,299,822	100.00	4,875,614

Liabilities & Equity	2012 (\$)	%	2011 (\$)	%	Variance(\$)
Payables	140,311	0.14	106,962	0.11	33,349
Member's Shares and Deposit	85,976,746	87.57	82,184,519	88.09	3,792,227
Regular Reserve	5,602,900	5.71	5,602,900	6.01	-
Undivided Earnings	5,405,441	5.51	4,653,904	4.99	751,537
Net Gain (Loss) YTD	1,050,038		751,537		298,501
Total Equity	12,058,379	12.28	11,008,341	11.80	1,050,038
Total Liabilities and Equities	98,175,436	100.00	93,299,822	100.00	4,875,614

Members' Share

Ratios	2006	2007	2008	2009	2010	2011	2012	Peer
Financial Ratios Compared to Peer Group Leaders								
Net Worth/Total Assets	25.55	25.66	18.75	13.48	12.3	11.79	12.29	10.97
Delinquent Loans/Total Loans	5.82	6.03	4.30	3.94	1.26	0.92	0.76	1.28
Return on Average Assets	2.11	3.56	2.12	1.18	0.65	1.06	1.11	0.49
Solvency Evaluation	134.37	134.77	123.23	115.60	114.04	113.39	114.03	112.59
Gross Income/Avg Assets	9.07	8.84	8.00	5.86	5.22	4.95	4.99	5.08
Cost of Funds/Avg Assets	3.80	3.69	2.79	2.09	1.33	0.97	0.67	0.52
Operating Exps/Avg Assets	1.93	1.59	2.06	2.41	2.65	2.63	2.67	3.79
Yield on Average Loans	9.11	9.18	9.07	8.69	8.14	7.20	7.08	6.09
Yield on Investments	5.66	3.86	4.17	2.28	1.76	0.89	0.37	1.17
Operating Exps/Gross Income	21.25	17.99	25.74	41.06	50.63	53.19	53.38	75.00
Total Loans/Total Shares	124.45	114.99	78.35	54.55	67.57	73.52	76.20	60.46
Total Loans/Total Assets	92.57	84.91	63.53	47.16	59.20	64.76	66.73	53.24
Net Worth Growth	8.84	11.87	10.27	8.05	3.42	7.33	9.54	5.43
Market (Share) Growth	1.89	10.56	67.30	60.86	14.88	12.53	4.61	5.56
Loan Growth	8.06	2.16	13.98	12.01	42.30	22.44	8.42	3.03
Asset Growth	3.54	11.38	52.41	50.89	13.35	11.92	5.23	5.50
Investment Growth	-32.60	152.08	291.08	105.63	-15.95	-3.65	-2.48	13.24

Members' Share \$000's



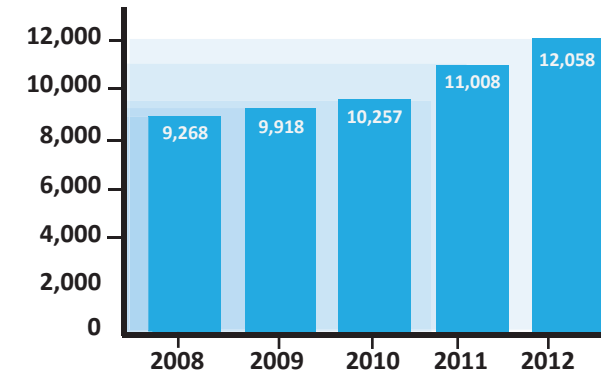
Consolidated Statement of Equity

for the years ending December 31, 2007, 2008, 2009, 2010, 2011 and 2012

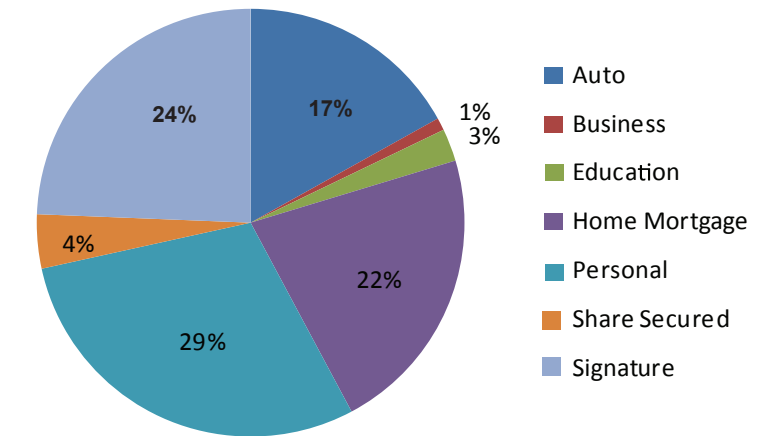
	(A) Regular Reserve (\$)	(B) Reserve for Contingencies (\$)	(C) Other Provisions (\$)	(D) Undivided Earnings (\$)	Equity (Net Worth) (A+B+C+D) (\$)
Balance at December 31, 2007	1,100,000	3,100,000	1,402,900	2,723,679	8,326,579
Account activities during 2008					
Transfer of 2008 Current Income				941,880	941,880
Statutory transfer to Regular Reserve					
Balance at December 31, 2008	1,100,000	3,100,000	1,402,900	3,665,559	9,268,459
Account activities during 2009					
Transfer of 2009 Current Income				649,263	649,263
Statutory transfer to Regular Reserve					
Balance at December 31, 2009	1,100,000	3,100,000	1,402,900	4,314,822	9,917,722
Account activities during 2010					
Transfer of 2010 Current Income				339,082	339,082
Statutory transfer to Regular Reserve					
Balance at December 31, 2010	1,100,000	3,100,000	1,402,900	4,653,904	10,256,804
Account activities during 2011					
Transfer of 2011 Current Income				751,537	751,537
Statutory transfer to Regular Reserve					
Balance at December 31, 2011	1,100,000	3,100,000	1,402,900	5,405,441	11,008,341
Account activities during 2012					
Transfer of 2012 Current Income				1,050,038	1,050,038
Statutory transfer to Regular Reserve					
Balance at December 31, 2012	1,100,000	3,100,000	1,402,900	6,455,479	12,058,379



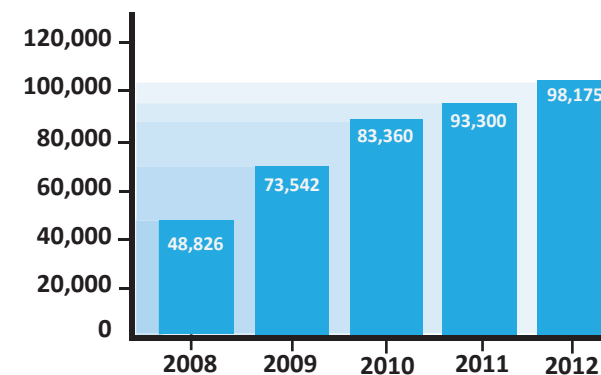
Capitals \$000's



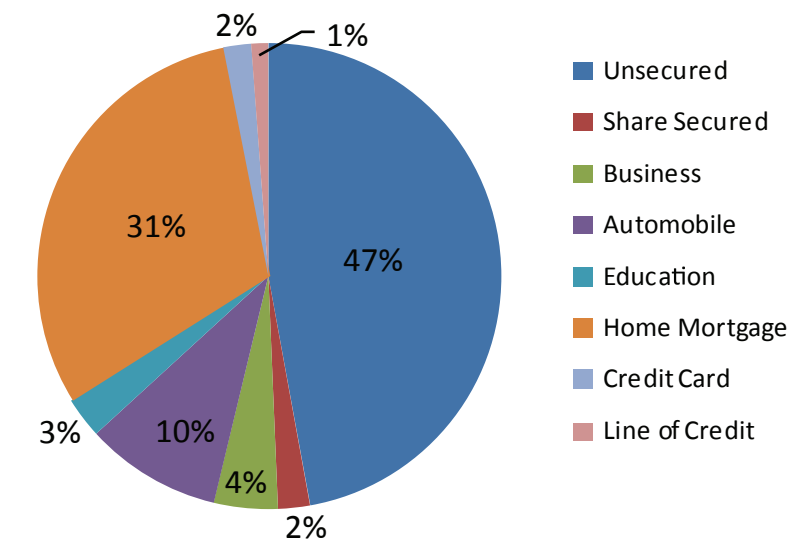
Loan Disbursement for 2012 \$29.3 M



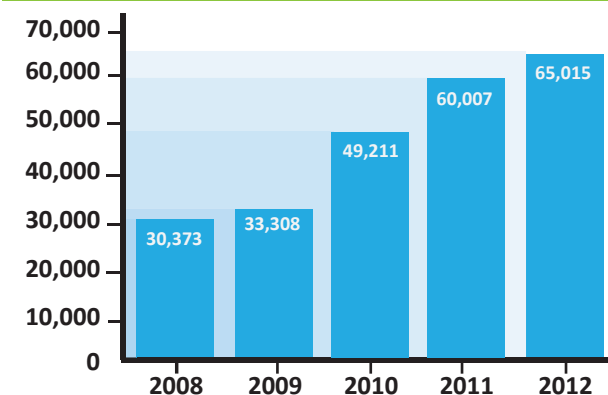
Assets \$000's



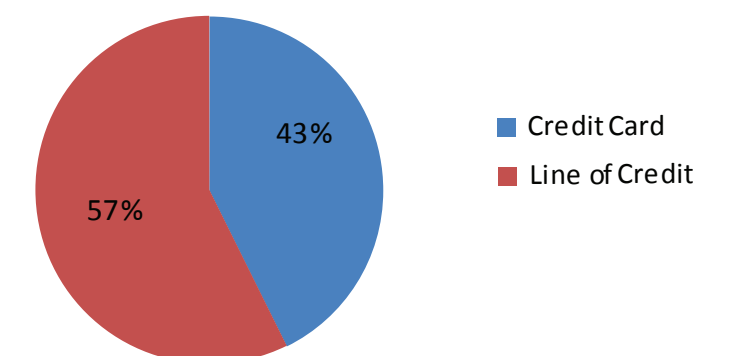
Total Loan Portfolio as of December 2012 \$65.5 M



Outstanding Loans \$000's



Open Ended Loan Approved for 2012 \$1.7 M

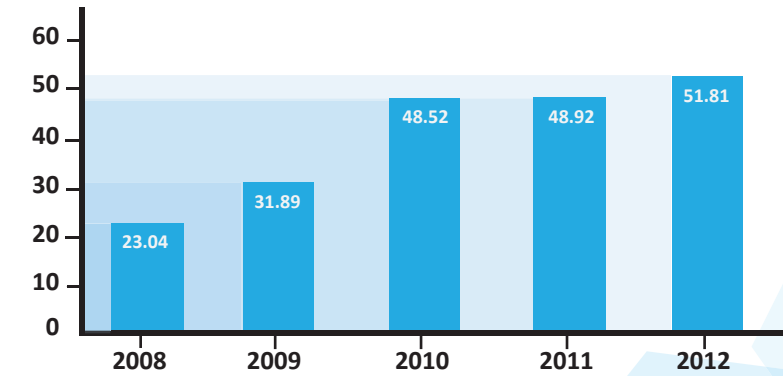


Statement of Operations

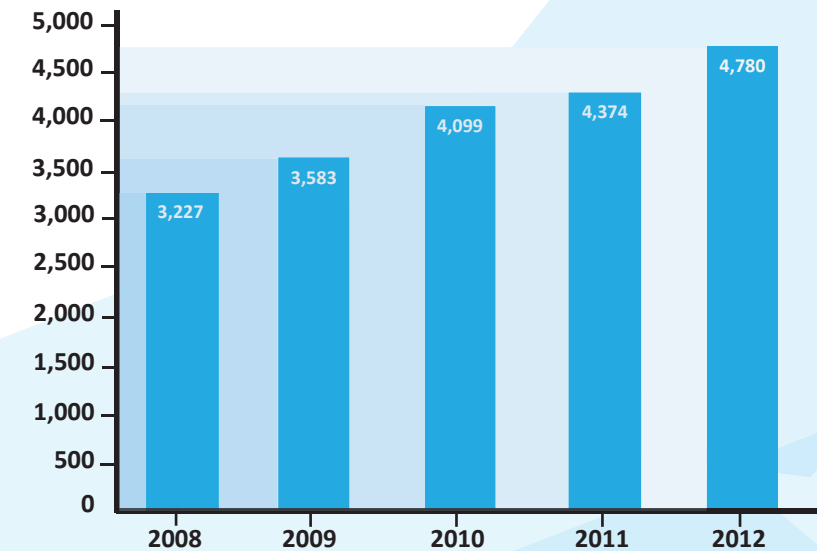
for the years ending December 31, 2012 and 2011

Operating Income	2012 (\$)	%	2011 (\$)	%	Variance (\$)
Interest on Loans	4,356,321	91.13	3,868,319	88.43	488,002
Interest Income from MasterCard	103,923	2.17	70,504	1.61	33,419
Income from Investments	108,529	2.27	268,307	6.13	(159,778)
Credit Union - Fees & Charges	211,357	4.42	167,323	3.83	44,034
Total Operating Income	4,780,130	100.00	4,374,453	100.00	405,677
Operating Expenses	2012 (\$)	%	2011 (\$)	%	Variance (\$)
Office Salaries	1,127,408	23.59	971,164	22.20	(156,244)
Payroll Taxes	96,707	2.02	85,241	1.95	(11,466)
Travel and Conferences	115,512	2.42	47,812	1.09	(67,700)
Office Occupancy	78,303	1.64	75,262	1.72	(3,041)
Utilities and Phone	96,357	2.02	75,539	1.73	(20,818)
Insurance	117,320	2.45	102,862	2.35	(14,458)
Member's Insurance	-	0.00	-	0.00	-
Depreciation	167,871	3.51	139,528	3.19	(28,343)
Loan Servicing	72,839	1.52	59,127	1.35	(13,712)
Credit Reports	18,636	0.39	15,580	0.36	(3,056)
Professional Fees	135,594	2.84	126,336	2.89	(9,258)
Prtg, Stationary, Supplies & Postage	90,648	1.90	99,422	2.27	8,774
Audit Fees	9,014	0.19	32,540	0.74	23,526
Provision for Loan Losses	537,000	11.23	439,778	10.05	(97,222)
Office Operating Expenses	55,773	1.17	44,079	1.01	(11,694)
Advertising & Promotions	47,892	1.00	47,237	1.08	(655)
NCUA Operating Fees	16,969	0.35	23,281	0.53	6,312
Donation	5,500	0.12	3,583	0.08	(1,917)
IT/SW/ISP Cost and Support	103,048	2.16	85,668	1.96	(17,380)
Annual Meeting Expenses	18,337	0.38	20,030	0.46	1,693
Maintenance & Repairs	20,719	0.43	14,427	0.33	(6,292)
Miscellaneous Expenses	32	0.00	1,100	0.03	1,068
Association Dues	17,461	0.37	17,836	0.41	375
Bank Service Charges	23,639	0.49	18,993	0.43	(4,646)
Property Taxes	41,102	0.86	33,618	0.77	(7,484)
Total Operating Expenses	3,013,681	63.05	2,580,043	58.98	(433,638)
Income from Operations	1,766,449	36.95	1,794,410	41.02	(27,961)
Non-operating Expense/(Income)	75,123	1.57	186,720	4.27	(111,597)
Dividend Paid to Members	641,288	13.42	856,153	19.57	(214,865)
Net Income	1,050,038	21.97	751,537	17.18	298,501

Operating Expenses to Gross Income %



Income \$000's



Loan Disbursement \$000's

