



2007 Annual Report Nizari Progressive Federal Credit Union



Nizari Progressive Federal Credit Union

1111 Brooklet, Suite 111
Houston, TX 77099

281-495-2826

www.nizaricu.org

Your savings federally insured to at least \$100,000
and backed by the full faith and credit of the United States Government

NCUA

National Credit Union Administration, a U.S. Government Agency

THE GLOBE

Represents Diversity & Plurality Of International US Jamat

THE HAND SHAKE

Signifies Bonding To Our Commitment.

"Ismailis Helping Ismailis"

THE BOARD OF DIRECTORS



Malik Walianny
Chairman



Ashraf Ali
Vice Chairman



Sadiq Ali Dosani
Secretary



Akbar Mohammed
Treasurer



Moez Dhuka
Chairman Credit
Committee



Mussain Jawer
Chairman Supervisory
Committee



Minhas R. Vellani
Director



Aryn Kurjee
Director



Abdul Malik Barrister
Director



Saleem Noorali
Director

OFFICE AND BRANCH INFORMATION

HEAD OFFICE-HOUSTON
11111 BROOKLET DRIVE, SUITE 111
HOUSTON, TEXAS 77099
TEL: 281-495-2826
FAX: 281-495-6808

DALLAS OFFICE
1205 W.TRINITY MILLS #210
CARROLLTON, TEXAS 75006
TEL: 972-466-2500
FAX: 972-466-1890

AUSTIN OFFICE
5555 NORTH LAMAR #H101A
AUSTIN, TEXAS 78751
TEL: 512-450-1401
FAX: 512-450-1401

SAN ANTONIO OFFICE
2391 N.E.LOOP 410, SUITE 112
SAN ANTONIO, TEXAS 78217
TEL: 210-646-6300
FAX: 210-646-6300

CHICAGO OFFICE
6355 N.BROADWAY #23
CHICAGO, IL 60660
TEL: 773-764-9274
FAX: 773-764-9274

LOS ANGELES OFFICE
3301 OCEAN PARK BLVD #100B
SANTA MONICA, CA 90405
TEL: 310-450-1906
FAX: 310-450-1925

www.nizaricu.org



MANAGEMENT COMMITTEES CHAIRMAN



Abdul Malik Barrister
Dallas



Ashraf Ali
Austin



Sadruddin Ali
San Antonio



Nadir Virani
Western Region



Zulfiqar Merchant
Midwest Region

NIZARI STAFF



Houston Headquarters Office Staff

MISSION STATEMENT

The Mission of Nizari Progressive Federal Credit Union is to provide for the financial well-being of our membership through a dedicated and unique combination of professional and personal service. As a member-owned institution, we will invest daily in building one-on-one relationships with our membership community through uncompromising service, convenience and a complete offering of competitive financial products and services.

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A LETTER FROM THE CHAIRMAN

Fellow Shareholders:

2007 was another successful year for Nizari with the ongoing support and commitment of our members and the dedication with which Nizari's staff and Board of Directors performed their duties. Due to increased competition, Nizari is striving to gain membership and loan growth. For this reason, Nizari values its members who have referred family, co-workers and neighbors for their financial needs.

Every member's financial well-being is at the heart of what we do and Nizari continues to gain trust as an equal opportunity lender. Furthermore, Nizari has maintained discipline in its loan product offerings and underwriting principles. We offer better rates on signature loans than our competitors and establish monthly payments that will assist our members' financial well-being.

In fact, I'm proud to recognize that we have declared our "2008" 1st quarter dividend at 4.15% A.P.Y., in comparison to the current market rates that are in the 3% or less category. This is a sign of great stability considering that the prime rate has dropped from 7.5% to 5.25% in the past 6 months.

Although the economic outlook for 2008 appears unclear, Nizari Progressive Federal Credit Union's mission is clear. Nizari invests in building personal relationships with our members by professionally offering competitive financial products and services.

2007 Accomplishments

New Leadership:

During the past year, Nizari has filled many key positions; including, the appointments of Directors and the hiring of a Chief Operating Officer.

NIZARI PROGRESSIVE FEDERAL CREDIT UNION PROPRIETARY PRODUCTS AND SERVICES

DEPOSITS

- Share Savings
- Share Drafts (Checking Accounts)
- IRAs
- College Savings Plan

SERVICES

- ACH
- Online Banking

LOANS

- Personal Loans
- Business Loans
- Share Secured Loans
- Equipment Loans
- Auto Loans
- Credit Cards
- Home Equity Loans (Texas Only)

Visit Us Online At:
www.nizaricu.org

CONSOLIDATED STATEMENT OF EQUITY FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

	Regular Reserve (A)	Reserve for Contingencies (B)	Other Provisions (C)	Undivided Earnings (D)	Equity (Net Worth) (A+B+C+D)
Balance at December 31, 2005	\$1,000,000	\$2,900,000	\$1,002,900	\$1,844,023	\$6,746,923
Account activities during 2006:					
Transfer of 2006 Current Income	-	200,000	-	(103,630)	96,370
Transfer to Building Purchase	-	-	400,000	-	400,000
Statutory transfer to Regular Reserve	100,000	-	-	-	100,000
Balance at December 31, 2006	\$1,100,000	\$3,100,000	\$1,402,900	\$1,740,393	\$7,343,293
Account activities during 2007:					
Transfer of 2007 Current Income	-	-	-	983,285	983,285
Transfer to Building Purchase	-	-	-	-	-
Statutory transfer to Regular Reserve	-	-	-	-	-
Balance at December 31, 2007	\$1,100,000	\$3,100,000	\$1,402,900	\$2,723,678	\$8,326,578

KEY FINANCIAL RATIOS FOR THE YEARS 2004 TO 2007

For the Year	2004	2005	2006	2007	PEER AVGS.
	%	%	%	%	%
Net Worth/Total Assets	22.15	24.31	25.55	25.66	14.46
Delinquent Loans/Total Loans	1.88	1.73	5.82	6.03	1.37
Return on Avg. Assets	5.06	4.08	2.11	3.56	0.64
Solvency Evaluation	128.51	132.18	134.37	134.77	117.53
Gross Income/Avg. Assets	10.45	9.58	9.07	8.84	7.23
Cost of Funds/Avg. Assets	3.44	3.63	3.80	3.69	2.08
Operating Exps./Avg. Assets	1.95	1.86	1.93	1.59	4.21
Yield on Average Loans	10.81	9.92	9.11	9.18	7.29
Yield on Investments	1.62	2.27	5.66	3.86	4.74
Operating Exps./Gross Income	18.69	19.45	21.25	17.99	57.35
Total Loans/Total Shares	118.03	117.35	124.45	114.99	72.58
Total Loans/Total Assets	91.78	88.70	92.57	84.91	61.43
Net Worth Growth	27.93	18.79	8.84	11.87	5.21
Market (Share) Growth	5.60	5.25	1.89	10.56	2.36
Loan Growth	11.81	4.64	8.06	2.16	2.18
Asset Growth	9.80	8.27	3.54	11.38	2.61
Investment Growth	-16.16	58.02	-32.60	152.08	12.55

*This includes Troubled Debt Restructured Loans

Technological Advancements:

This past year was a leap year in terms of technology and communication. The Nizari website was redesigned with a fresh new look (www.nizaricu.org) and Nizari related email addresses were created for each staff member. In addition, a methodology to electronically safeguard documents was implemented.

As we move forward, we are excited about the initiatives that position Nizari for greater growth as your financial institution for the years to come. The following improvements are coming in 2008:

- Increased operational efficiency
- Competitive product offerings
- Increased marketing to young professionals

Community Outreach

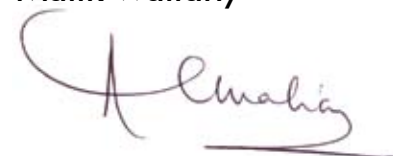
Nizari is working with the Jamati institutions, including the Economic Planning Board, Local Council Leadership and Social Safety Network to make a positive impact in the lives of the Jamati members and our community. Inshallah, we will continue to be a leading institution in the community by continually supporting community programs and initiatives.

Looking Toward the Future

As Nizari looks to the future for growth, the focus will remain on our valued members. Nizari will continue to be a trusted financial partner that listens to your needs and responds with products and services designed to help its members reach their financial goals.

Our vision will be put into action by our staff and our Board of Directors. We thank them for all their hard work and dedication. We look forward to continued success and opportunities for service in the years to come, Inshallah.

Sincerely,
Malik Waliyany



Chairman of the Board
Nizari Progressive Federal Credit Union



SUPERVISORY COMMITTEE REPORT 2007

Nizari Progressive Federal Credit Union's Supervisory Committee is charged with the audit function of the Credit Union to ensure that Nizari's strength and equity are fairly represented. The committee oversees the internal and external auditors who ensure that the Credit Union is sound and functioning well within the mandated guidelines and policies set forth by the NCUA.

An external audit was conducted in 2007 by John Weaver and Associates. The examinations of Nizari PFCU's financial statements and practices, along with audits conducted by the Internal Audit Department, have revealed Nizari Progressive Federal Credit Union to be in excellent condition, both financially and operationally.



TREASURERS REPORT REPORT 2007

Despite the issues and challenges facing financial institutions in 2007, including a slowing housing market and increased competition for new account growth, Nizari had another successful year. We ended the year with a healthy capital ratio growth of 11.9% year over year and Nizari's return on assets of 3.6% for 2007. This success allows Nizari to confidently plan to expand our facilities and introduce new products and services for the benefit of our membership and business growth.

Financial Highlights

Category	2007	2006	%
Capital/Net Worth	\$8,326,578	\$7,343,293	11.8%
Shares	23,623,035	21,366,186	9.6%
Gross Income	2,758,078	2,559,880	7.2%
Outstanding Loans	27,164,702	26,427,383	2.7%
Total Assets	31,979,946	28,724,837	10.2%

Financial Ratios Compared to Peer Group Leaders

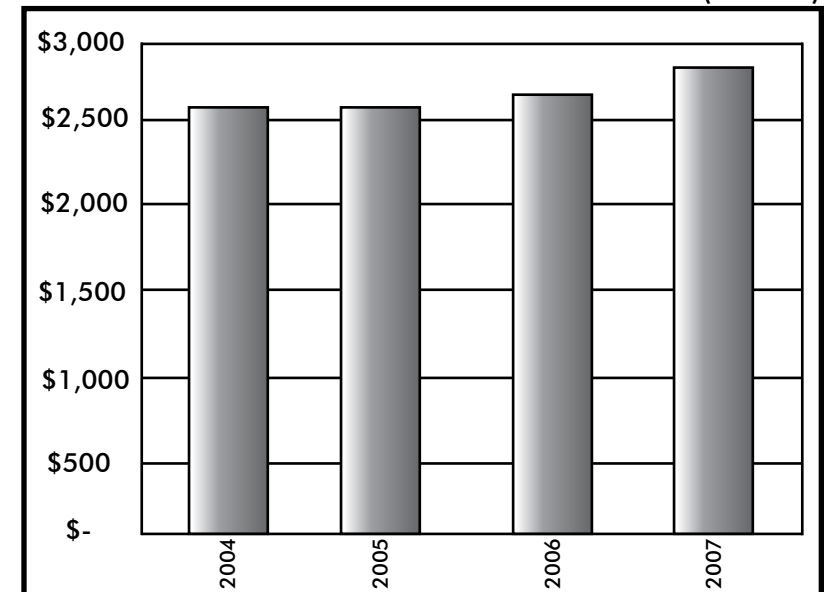
Ratios	Nizari	Peer
Net Worth to Assets	26.0%	24.6%
Total Loans to Total Shares	115.0%	72.6%
Total Loans to Total Assets	84.9%	61.4%
R.O.A.	3.6%	0.6%
Operating Expenses to Gross Income	18.0%	57.4%
Share Growth	10.6%	2.4%
Solvency Evaluation	134.8%	117.5%

<u>%</u>	<u>VARIANCE</u>
83.49	\$149,797
1.07	(3,493)
4.55	57,119
3.70	(7,243)
0.00	2,019
<u>92.81</u>	<u>198,198</u>

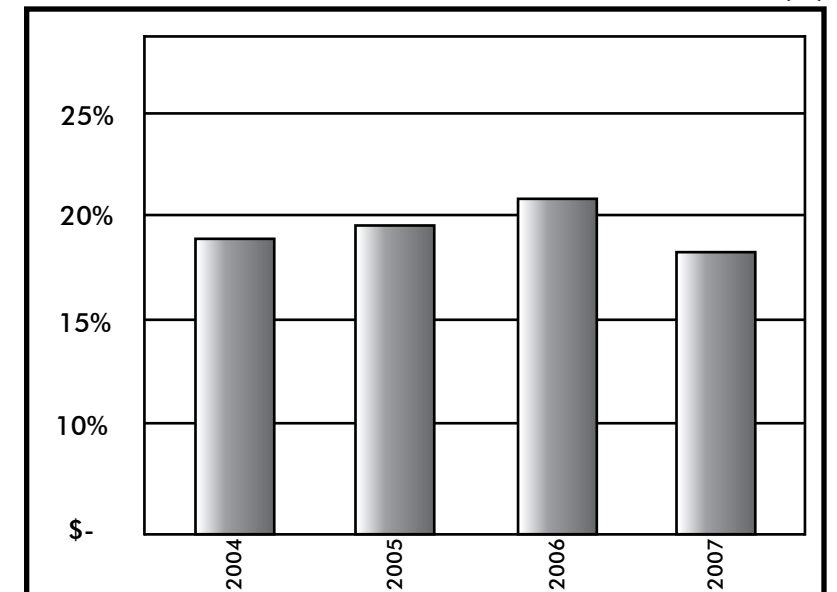
8.23	1,470
0.63	1,270
0.12	3,492
2.97	1,360
0.93	(1,084)
0.43	(749)
0.78	(2,774)
0.16	(3,097)
0.16	955
0.00	14,352
0.76	10,129
0.12	112
0.27	2,500
12.57	(168,312)
0.40	2,734
0.80	(1,656)
0.06	36
0.20	690
0.36	7,500
1.13	(9,716)
0.95	20,537
0.16	(552)
0.08	16,065

<u>32.29</u>	<u>(104,736)</u>
<u>60.52</u>	<u>302,934</u>
<u>38.90</u>	<u>(83,980)</u>
<u>21.62</u>	<u>\$386,914</u>

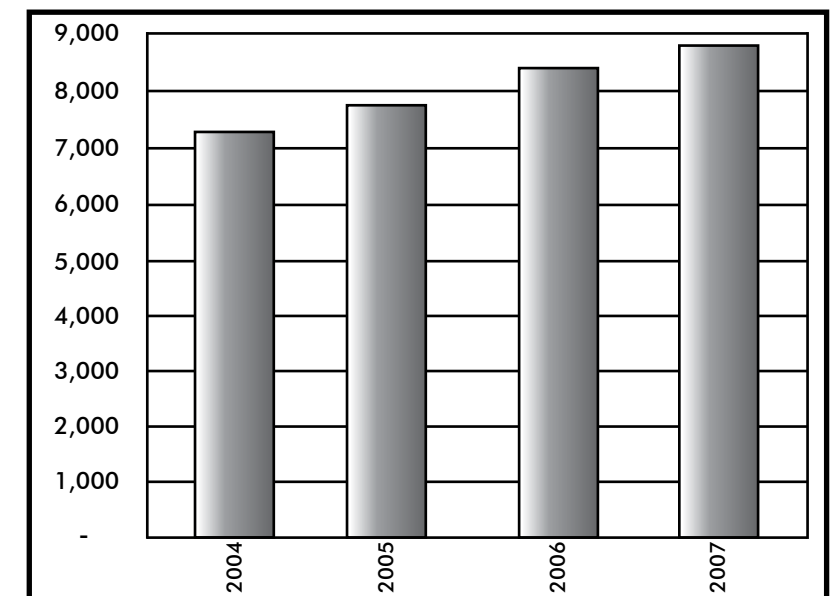
INCOME (\$000's)



Ratio of Operating Expenses to Gross Income (%)



MEMBERSHIP



STATEMENT OF OPERATIONS

FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006



CREDIT COMMITTEE REPORT 2007

	<u>2007</u>	<u>%</u>	<u>2006</u>
Operating Income:			
Interest on Loans	\$2,452,556	88.92	\$2,302,759
Interest income from MasterCard	\$26,129	0.95	\$29,622
Income from Investments	182,494	6.62	125,375
Credit Union - Fees & Charges	94,881	3.44	102,124
Other Income	2,019	0.07	0
Total Operating Income	<u>2,758,078</u>	<u>100.00</u>	<u>2,559,880</u>
Operating Expenses:			
Office Salaries	228,502	8.28	227,032
Payroll Taxes	18,554	0.67	17,284
Travel & Conference	6,835	0.25	3,343
Office Occupancy	83,366	3.02	82,006
Utilities & Phone	24,571	0.89	25,655
Insurance	11,094	0.40	11,843
Depreciation	18,854	0.68	21,628
Loan Servicing	1,420	0.05	4,517
Credit Reports	5,360	0.19	4,405
Professional Fees	14,352	0.52	0
Prtg, Stationery,Supplies & Postage	31,058	1.13	20,929
Audit Fees	3,350	0.12	3,238
TCUL Membership Fees	10,070	0.37	7,570
Provision for Loan Losses	178,421	6.47	346,733
Office Operation Expenses	13,802	0.50	11,068
Advertising & Promotions	20,546	0.74	22,202
Accounting Services	1,562	0.06	1,526
NCUA Operating Fees	6,326	0.23	5,636
Donation	17,500	0.63	10,000
IT/SW/ISP Cost & Support	21,342	0.77	31,057
Annual Meeting Expenses	46,809	1.70	26,272
Maintenance & Repairs	3,893	0.14	4,445
Miscellaneous Expenses	18,302	0.66	2,237
Total Operating Expenses	<u>785,890</u>	<u>28.49</u>	<u>890,626</u>
Income from Operation	<u>1,972,188</u>	<u>71.51</u>	<u>1,669,254</u>
Annual Dividends to Members	988,903	35.85	1,072,883
Net Income	<u>\$983,285</u>	<u>35.65</u>	<u>\$596,371</u>

It is a pleasure for me to present to the Board of Directors and membership at large, the very positive activities of the credit committee.

This year the credit committee embraced a very creative approach which yielded pronounced results in spite of the sluggish economy and overall compression in the market place. We believe the creative approach along with inbuilt safety and vaunguarded features translated into above par expectations in comparison to the preceding year. The revolves of this approach is undoubtedly dominated by the inspired, dynamic spirit of the chairman and members of the credit committee. Although the new approach was designed to reflect more flexibility and motivation for the members, at no point it was allowed to transgress, the boundaries of existing laws, regulations, safety and soundness of dispensed loans and micromanagement of each approved item was of paramount importance.

In support of this authenticity, statistics projected below would speak for themselves.

- | | |
|---|--------------------|
| 1) Last year total loans granted | US \$13,054,505.51 |
| 2) Total nos. of loans approved during the year
(with all requisite due-diligence intact and in place) | 518 |

The committee appreciate the co-operative spirit of borrowers in submission of pertinent information, documentation and other requirements expeditiously which enable the committee to accommodate loan request to maximum extend focused on individual's credit history, payment ability and financial dealing with this institution.

On an ongoing basis the committee makes recommendation to the Board of Directors for implementing necessary changes in the loan policies in view of fiscal economic trends and valuable feedback from the members.

The committee expresses profound thanks to all the members for their kind support for making 2007 a successful year.

Thank you.

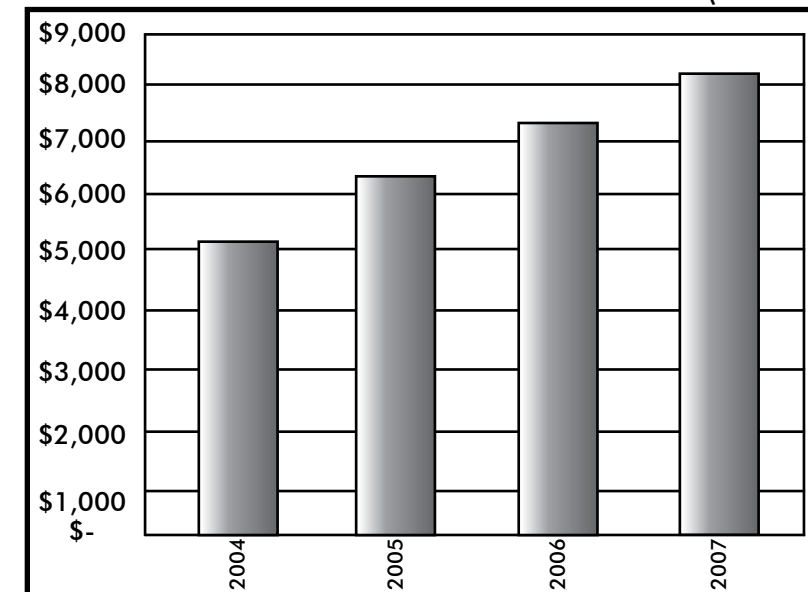
Moez Dhuka
Chairman
Credit Committee

STATEMENT OF FINANCIAL POSITION

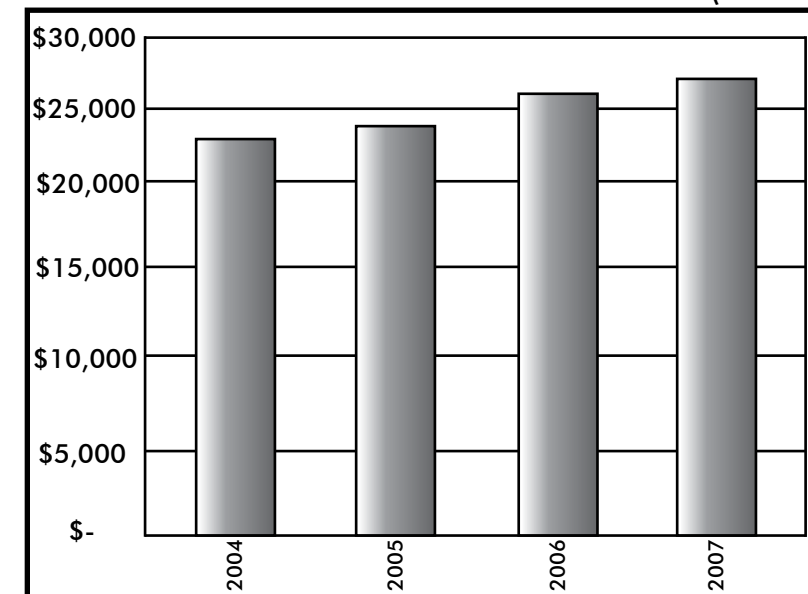
FOR THE YEARS ENDING DECEMBER 31, 2007 AND 2006

ASSETS	2007	%	2006	%	VARIANCE
Loans to Members	\$23,215,651	72.59	\$22,228,087	69.51	\$987,564
MasterCard Loans	246,840	0.77	310,016	0.97	(63,176)
Member Business Secured Loans	1,909,286	5.97	2,567,707	8.03	(658,421)
Unsecured Member Business Loans	1,792,925	5.61	1,483,843	4.64	309,082
Less: Allowance for Loan Loss	(181,967)	(0.57)	(162,270)	(0.51)	19,697
Total Loans	26,982,735	84.37	26,427,383	82.64	555,352
Cash at Bank	\$1,718,236	5.37	\$297,299	0.93	1,420,93
Investments	2,800,000	8.76	1,486,806	4.65	1,313,194
N.C.U.S.I.F. Deposit	208,684	0.65	204,588	0.64	4,096
Rent & Utility Deposits	9,101	0.03	10,030	0.03	(929)
Total Deposits	217,786	0.68	214,618	0.67	3,168
Prepays	4,241	0.01	6,208	0.02	(1,967)
Prepaid Share Insurance	6,788	0.02	6,664	0.02	124
Total Prep. & Def. Expenses	11,029	0.03	12,872	0.04	(1,843)
Furniture, Fixtures, Leasehold Impr & Equip	183,079	0.57	179,242	0.56	3,837
Less: Acc. Depreciation & Amortization	174,382	0.55	155,528	0.49	18,854
Net Fixed Assets	8,697	0.02	23,714	0.07	(15,017)
Accrued Interest on Loans	208,940	0.86	244,578	0.86	(35,638)
Accrued Interest on Investments	32,524	0.10	17,567	0.05	14,957
Total Accrued Income	241,464	0.96	262,145	0.91	-20,681
Total Assets	\$31,979,946	100.19	\$28,724,837	89.91	\$3,255,109
LIABILITIES & EQUITY					
Payroll Taxes	\$0	0.01	\$595	0.01	(595)
Accrued AGM Expenses	30,333	0.09	14,763	0.05	15,570
Other Liabilities	-	-	-	-	-
Total Payables	30,333	0.10	15,358	0.06	14,975
Members' Shares	23,080,378	72.17	20,912,708	65.39	2,167,670
Members' Share Draft	13,400	0.04	4,640	0.01	8,760
I.R.A. Shares	500,794	1.57	421,593	1.32	79,201
I.R.A. Roll Over Shares	28,462	0.08	27,245	0.08	1,217
Total Shares	23,623,035	73.86	21,366,186	66.80	2,256,849
Regular Reserve	1,100,000	3.44	1,100,000	3.44	0
Reserve for Contingencies	3,100,000	9.69	3,100,000	9.69	0
Provision for Building	1,400,000	4.38	1,400,000	4.38	0
Donated Equity	2,900	0.01	2,900	0.01	0
Undivided Earnings	2,723,678	6.07	1,740,393	6.07	983,285
Total Equity	8,326,578	23.59	7,343,293	23.59	983,285
Total Liabilities & Equity	\$31,979,946	97.55	\$28,724,837	90.45	\$3,255,109

CAPITAL (\$000's)



OUTSTANDING LOANS (\$000's)



ASSETS (\$000's)

