

NIZARI PROGRESSIVE

FEDERAL

CREDIT UNION

EIGHTH

ANNUAL GENERAL MEETING

MARCH 29, 1998

HOUSTON, TEXAS

March 06, 1998

TO: ALL MEMBERS

FROM: IBRAHIM KHANMOHAMED, SECRETARY

SUBJECT: ANNUAL MEETING OF MEMBERS

The 1997 Annual Meeting of the Members of **NIZARI PROGRESSIVE FEDERAL CREDIT UNION** will be held on **SUNDAY MARCH 29, 1998 at 12.30 P.M.** at **SAVOY BANQUET HALL**, 11246 South Wilcrest # 145, Houston, Texas 77099.

A G E N D A

- Reading and adoption of the minutes of the previous meeting.
- Report of the Chairman on behalf of the Board of Directors.
- Report of the Treasurer.
- Report of the Credit Committee.
- Report of the Supervisory Committee.
- Election of five candidates to the Board of Directors (to replace five existing Directors whose terms are expiring)
- Any other business with the permission of the Chair.
- Adjournment.

LUNCH WILL BE SERVED AFTER THE MEETING.

R.S.V.P.: (281) 495-2826

CHAIRMAN'S REPORT 1997

On behalf of the Directors of the Nizari Progressive Federal Credit Union, I am privileged and honored to welcome each one of you to the Eighth Annual Meeting of the Credit Union.

FINANCIAL HEALTH

As you review the various charts and information presented in the report, you will notice that the capital position of the Credit Union has improved considerably and earnings too have increased. The Return on Assets (ROA) is strong at 4.71 percent compared to 1.00 percent for the peer group. This is attributed to the low operating expenses and the high gross income.

Despite slight decrease in the volume of shares and in the amount of loans compared with last year, credit union experienced slow and steady improvement in overall operations as reflected in the following table:

ITEM	1996	1997	%INCREASE/DECREASE
Capital	\$ 496,421	\$ 684,972	38%
Shares	\$ 3,357,550	\$ 3,299,794	(1.8%)
Loans made	\$ 2,997,000	\$ 2,577,500	(14%)
Gross income	\$ 463,550	\$ 544,955	17.6%

As at the close of books on December 31, 1997, the loan to savings ratio was 99.87%.

However, after the credit of dividend to savings, the ratio stood at 93.39% which compares well with the peer group ratio of 74.6%. Some other noteworthy accomplishments during 1997 compared with the previous year were as follows:

- Rate of Capital growth improved 38%.
- Capital to loan ratio increased by 22.3%.
- Capital to total assets ratio was 17.2% or about 4.3% higher than in 1996.

Since the credit union overall performance in 1997 was favorable, the Board has declared a dividend of 7% after having provided for statutory and other reserves. This is the same rate of dividend as in the previous two years.

COMPOSITE CODE

As per examination report of the NCUA examiner, based on ratings earned in the various CAMEL components and overall operations, the credit union was assigned a composite code rating of "1" from a scale of "1 to 5" ("1" being the best) for the years 1996 and 1997.

LENDING POLICY

The Board reviews its lending policy from time to time, while keeping in mind the changing economic environment, the federal rules and regulations, and most important the credit needs of the membership. This philosophy is based on the principle that the credit union should be able to accommodate the needs of as many borrowing members as it can.

During the year under review the Board has introduced a new loan product entitled "High Doc Loan" which raises the maximum limit of loan to \$ 35,000.00 and which is subject to examination of the most recent adjusted gross income (AGI) of the individual and other relevant requirements. This loan carries an interest rate of 12 percent.

Because of the strong "Return on Assets" ratio, the management was able to offer reduced interest rate of 15 percent compared with 16 percent charged since 1990.

STUDENT LOANS

Through the Credit Union Student Loan Network, Nizari is pleased to offer student loans for higher education to undergraduate, graduate and professional students. In this regard, we have sought the co-operation from the Aga Khan Education Board for the Southwestern United States. This collaborative effort with the Education Board will enable Nizari to contact students electronically through e-mail and Internet. This will also serve as an effective marketing tool for the credit union to enroll members from the student community between the ages of 18 and 24.

A brochure on student loans containing all the relevant information has been published by Nizari and is available to members upon request

VISIT OF DIGNITARY

The Chairman of the Aga Khan Economic Planning Board for the USA, Alijah Amirali Hadi along with his team paid a visit to the office on February 14, 1997 and met with the Board of Directors and the staff.

Mr. Hadi showed keen interest in the formation and establishment of credit unions in various cities to enable the Jamat to take advantage of financial services offered by co-operative financial system.

He expressed great satisfaction with the excellent work Nizari was doing and wished the credit union success in its future operations.

ACCESS TO INTERNET

We are happy to announce that the Credit union has established an INTERNET connection. This capability will enable us to have an easy access to an enormous amount of information especially relating to the credit union industry to keep us up-to-date and well informed.

Members are encouraged to use the e-mail for comments, queries etc., to provide better and efficient service.

FAIBA 1997

The Aga Khan Economic Planning Board for the United States of America organized a Forum for American Ismaili Business Advancement (FAIBA) at San Antonio on August 23, 1997. Three directors and the executive officer attended this function. Among other programs, the workshop on "Forming your own credit union-For Fun and Non-Profit" was attended by the entire team of the Nizari. The key speaker at the event was Mr. Ross Irvin, a consultant working with TCUL. At this workshop a representative of Nizari participated in discussion on formation and functioning of a credit union.

This was a good advertising event for the Nizari as participants from all over the Southwest Region had assembled to participate in the forum.

AUSTIN FACILITY

We are delighted to report that a group of directors visited Austin on November 21, 1997 and established a center of Nizari Progressive Federal Credit Union. It will cater to the financial needs of prospective members in Austin. The management committee was also set up to take care of various operations related to financial services which the Center will offer to its members.

The overall response from Jamat is positive and encouraging.

ALM TRAINING

On many occasions we have invited experts from TCUL for training the directors and the management staff. This training enables us to understand and practice proper ALM (Asset/Liability Management) and enhances our ability to serve the members more effectively and to increase earnings and capital base for continued stability and vitality of the credit union.

In this context, it is encouraging to note that the liquidity position of the credit union improved for the period under review. At the same time, steps have also been taken to curb the excess savings growth in view of stabilized loan demand, which was an outcome of certain changes in the lending policy.

VOLUNTEER ACHIEVEMENT PROGRAM(VAP)

In order to learn more about various operations of the credit union, two members of our management team attended classes and completed four modules on various courses conducted by the Texas Credit Union League. Upon successful completion of the courses, they were awarded with certificate.

THE YEAR 2000

As per guidelines issued by the NCUA, the credit union will need to address with great concern, a problem of the year 2000 compliance faced by all credit unions. Besides, special critical systems, the management must consider the viability of the EDP system to meet the needs of the credit union beyond the year 2000.

I am happy to report that the awareness and assessment phases of the plan have been successfully completed. The management will, however, strive to make all systems operational and the year 2000 compliant before the deadline targeted by the NCUA.

FUTURISTIC TRENDS

The millennium is round the corner. Technology is advancing at an accelerating speed and it will require a major effort to keep abreast with it and to learn new skills. We are challenged with the need to use the latest equipment in order to be competitive. Moreover, competition among financial institutions has intensified which further challenges the credit union to deliver services, in ways never before thought necessary or possible.


The business environment is now more complex than simple and in order to meet challenges, the financial decision making procedures should be evaluated and in many cases changed.

THANKS AND APPRECIATION

No report would be complete without recognizing the selfless and dedicated services of a large number of individuals who have contributed and are making contributions to the progress of Nizari. These include the Board of Directors, Committee Members, the staff and a large group of voluntary workers who have served the credit union to the best of their abilities. To all of them, I wish to express my sincere appreciation and thanks for their devoted services and untiring efforts.

I also wish to offer my heartfelt thanks to the membership of the credit union for its support and co-operation and to those institutions and individuals who have from time to time offered us guidance, advice and assistance.

Thank you.


Roshanally H. Merchant
Chairman

TREASURER'S REPORT 1997
BALANCE SHEET
DECEMBER 31, 1997

<u>ASSETS</u>		<u>LIABILITIES</u>	
Loan to members	3,065,525	Shares of members	3,299,794
Cash at bank	124,359	Regular reserves	200,000
Investments	753,221	Special reserves	300,000
Deposit with NCUSIF	33,575	Undivided earnings	184,972
Prepaid expenses	4,245	Accounts payable	1,482
Other deposits	720		
Fixed assets	<u>4,603</u>		
Total Assets	<u>3,986,248</u>	Total Liabilities	<u>3,986,248</u>

INCOME STATEMENT
January 01 to December 31, 1997

Interest on loans	478,270	Salaries & benefits	73,321
Income from investments	45,787	Office rent & utilities	12,102
Entrance fees etc.	17,715	Office operations	2,025
Miscellaneous income	3,183	Insurance	3,740
		Maintenance & repairs	375
		Postage & supplies	4,454
		Association dues	2,050
		Bank charges	1,185
		Depreciation	1,090
		Annual meeting expenses	990
		NCUA fees	942
		Education & promotion	727
		Donation	2,000
		Professional fees	4,750
		Provision for loan losses	<u>16,300</u>
		Total operating expenses	126,051
		Gain from operations	<u>418,904</u>
Total	<u>544,955</u>	Total	<u>544,955</u>

STATISTICAL INFORMATION

Number of members	1266
Outstanding loans	303
Loans since commencement	11.9 million
Total number of loans	1084

DISTRIBUTION OF GROSS INCOME

Operating expenses	126,051
Dividends	230,352
Regular reserve	71,346
Special reserve	70,000
Undivided earnings	<u>47,206</u>
	<u>544,955</u>



Nurudin K. Damani
Treasurer

CREDIT COMMITTEE REPORT 1997

I am pleased to present to the Board of Directors and the membership of the Credit Union a report of the activities of the Credit Committee for 1997.

During the year the total number of loan applications approved was 156. Each application was processed according to the existing laws, regulations and loan policy established by the Board. The aggregate amount of loan granted was \$ 2,577,500. It is interesting to note that the average outstanding loan size is \$ 10,171 and the ratio of borrowers to members is 24%. However, due to certain changes in the lending policy, some negative impact was experienced in the loan portfolio.

The Committee appreciates the co-operative spirit of borrowers who supplied pertinent information and documentation required to process their applications.

It is worthwhile to mention here that the Committee tried to accommodate members' loan request to the maximum extent based on the individual credit history, ability to pay and financial dealings with the Credit Union without compromising the principle of safety and soundness.

Keeping in mind the financial needs of members, the Committee from time to time, makes recommendations to the Board of Directors for necessary changes in the loan policy in consonance with prevailing economic and fiscal trends.

The Committee expresses its thanks to the borrowers and the membership for their kind co-operation and support to make 1997 a successful year.

Thank you.



Abdul Sultan Sundrani
Chairman

SUPERVISORY COMMITTEE REPORT

I am pleased to report that in compliance with the provisions of the Federal Credit Union Act and the Supervisory Committee Manual for the Credit Unions, an audit of accounts of the Credit Union was conducted by the Supervisory Committee.

The following accounting records were inspected and verified and our findings are that the records were found to be correct and accurate.

Petty Cash Account	Bank Reconciliation
Members' Closed Accounts	Fixed Assets
Members' Shares and Loan Accounts	Loan Documentation
Adequacy of Bond and other Insurance Protection	Receipts and Disbursements
Trial Balance and Balance Sheet	Outstanding Loans

As a result of our inspections, observations, inquiries and confirmations, we were able to obtain sufficient evidence to make conclusions on the operations of the Credit Union.

It is gratifying to note that no complaints were received from members by the committee for resolution.

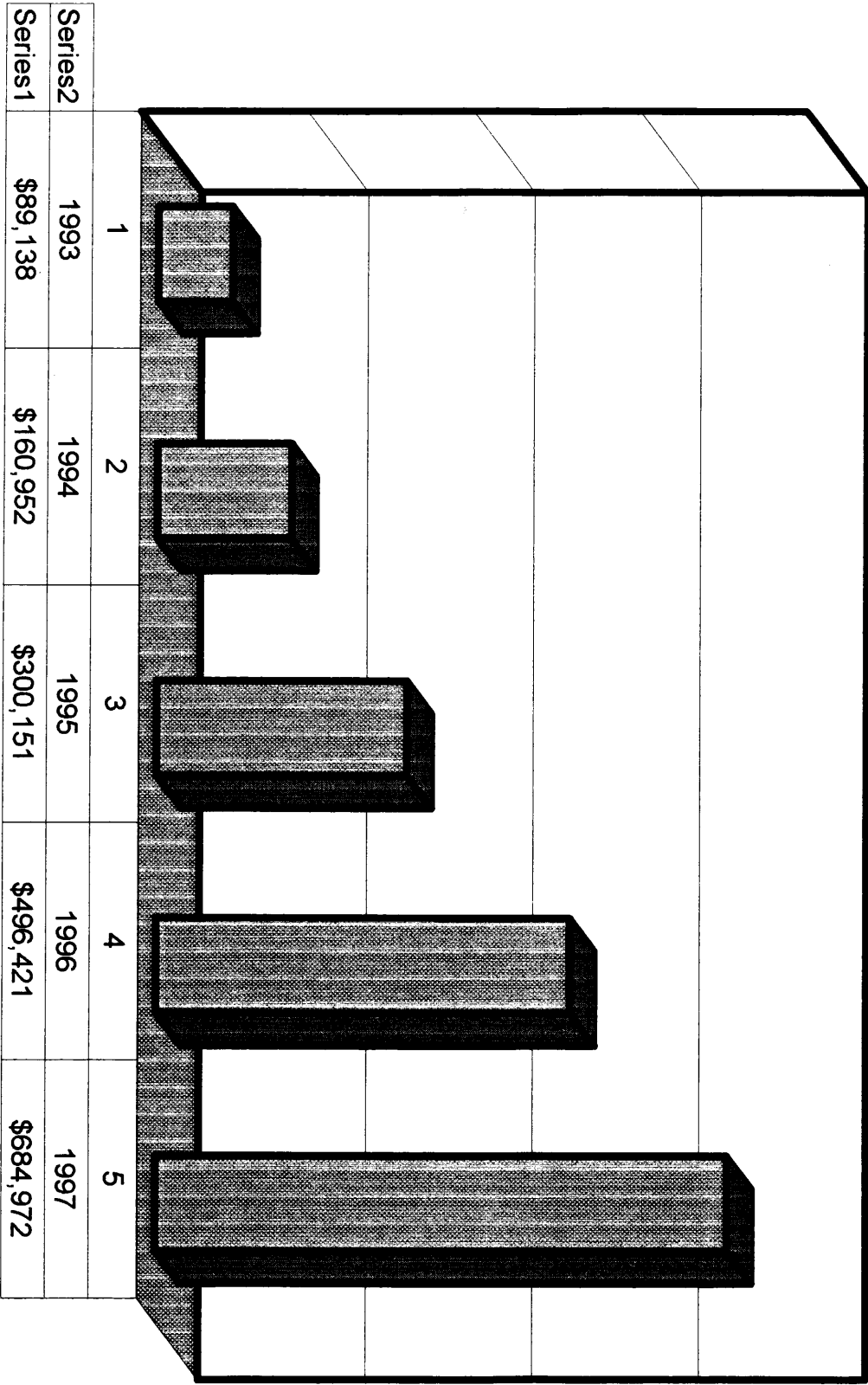
To the best of our knowledge and belief the Credit Union's financial records are maintained in accordance with the existing laws and regulations. The financial statements of the Credit Union represent true and complete picture of its financial condition.

Thank you.

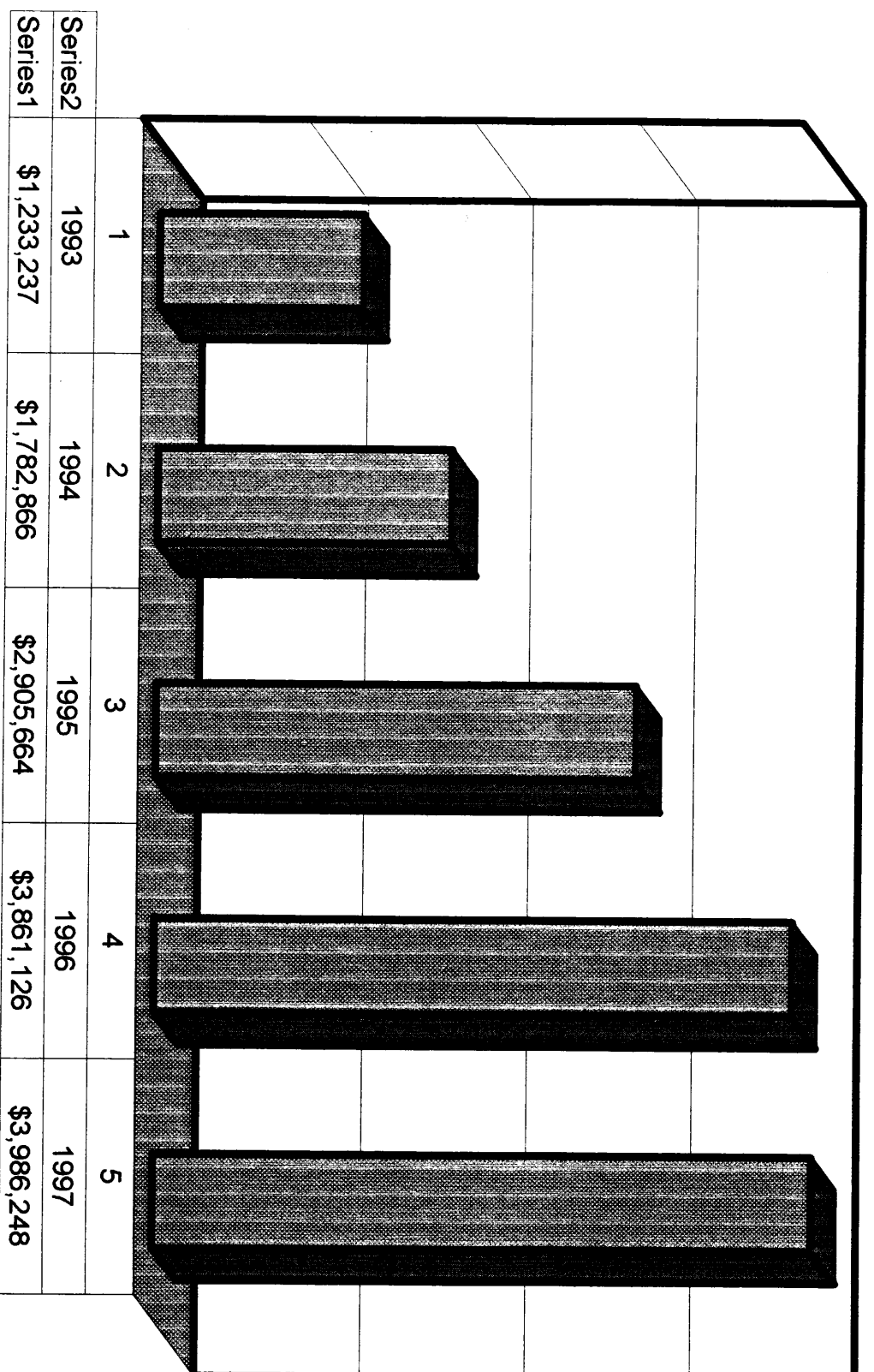


Nizar A. Kajani
Chairman

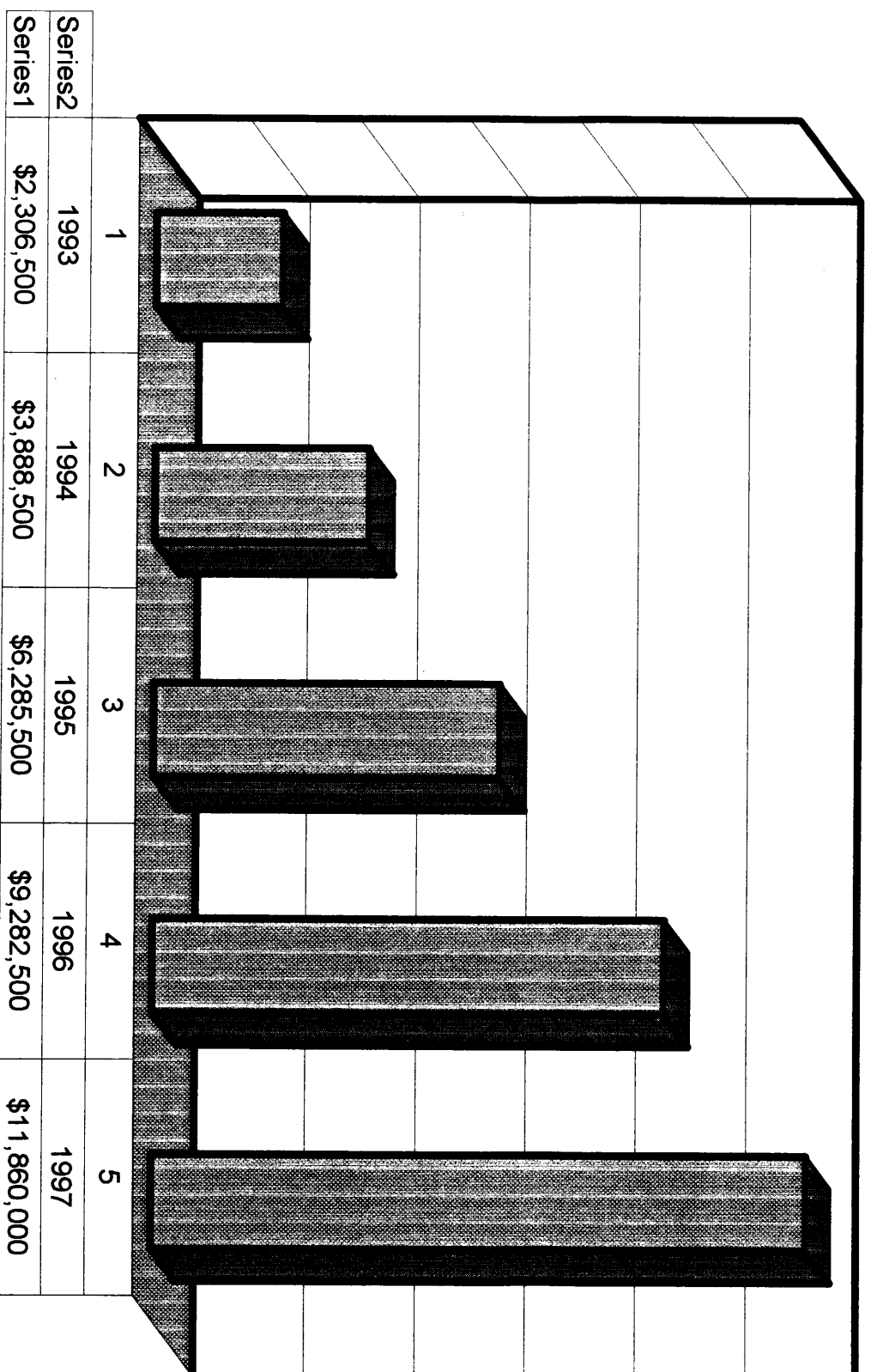
NIZARI PROGRESSIVE FEDERAL CREDIT UNION
CAPITAL GROWTH 1993-1997



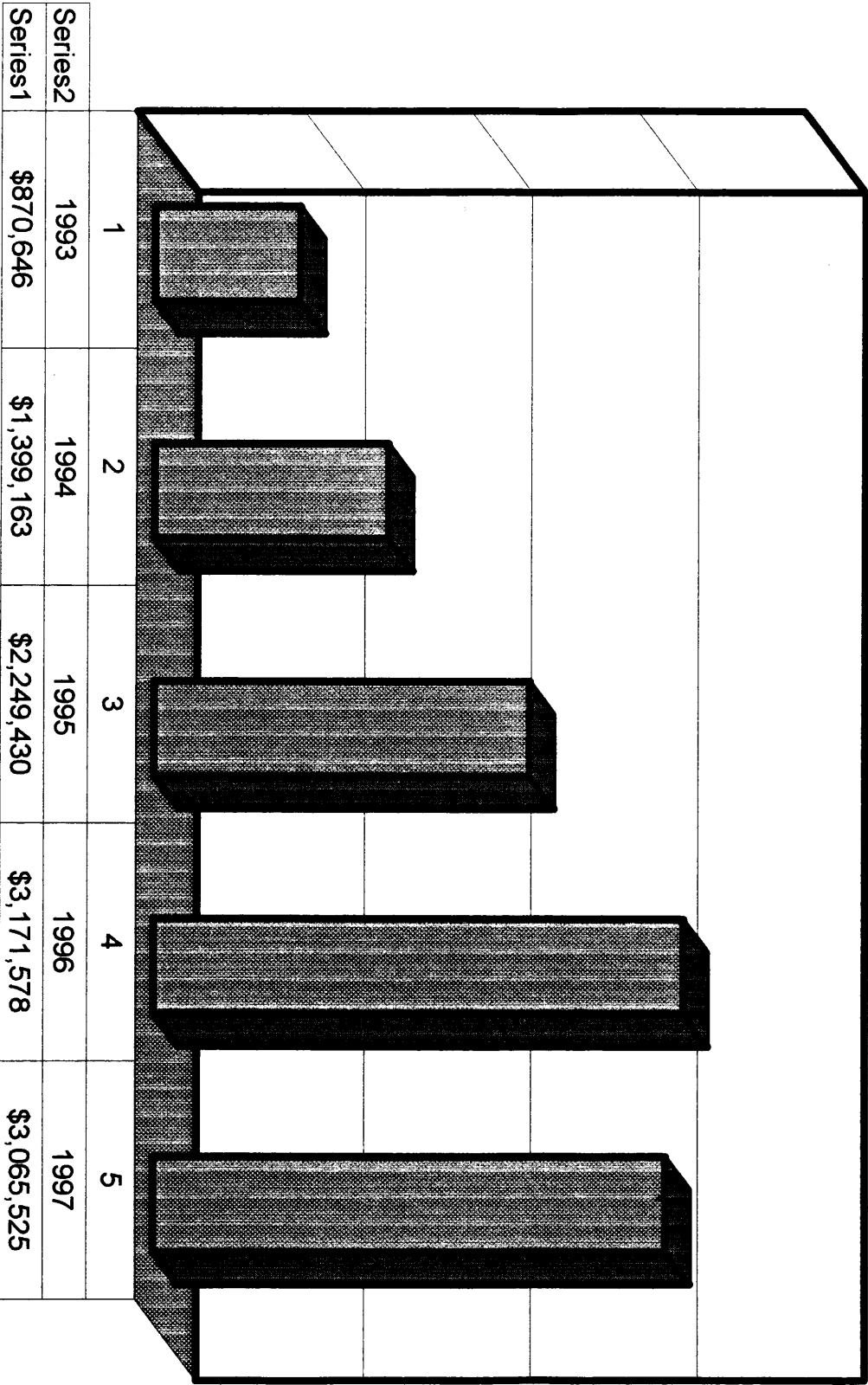
NIZARI PROGRESSIVE FEDERAL CREDIT UNION **ASSETS GROWTH 1993-1997**



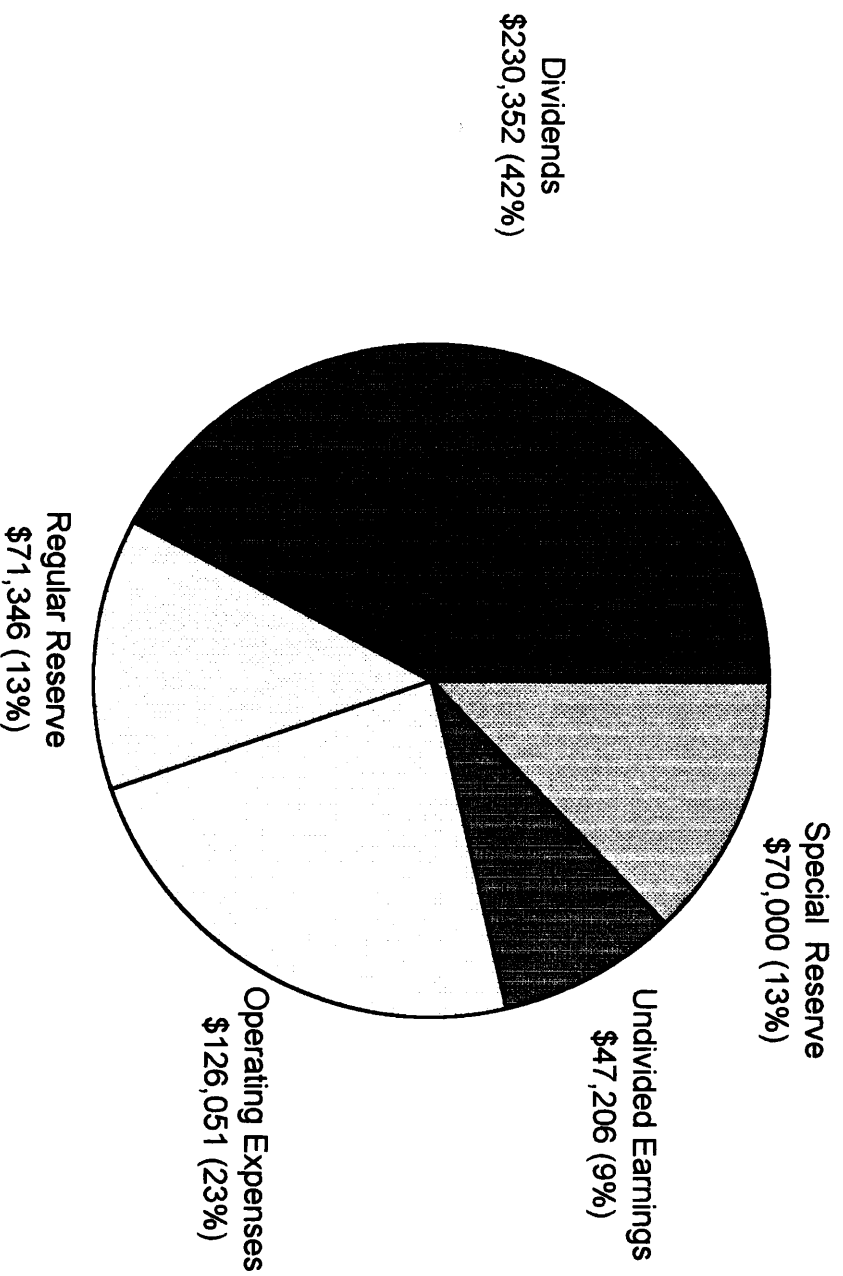
NIZARI PROGRESSIVE FEDERAL CREDIT UNION LOAN GROWTH 1993-1997



**NIZARI PROGRESSIVE FEDERAL CREDIT UNION
OUTSTANDING LOANS 1993-1997**



NIZARI PROGRESSIVE FEDERAL CREDIT UNION
GROSS INCOME DISTRIBUTION 1997
Gross Income \$544,955



BOARD OF DIRECTORS

Roshanally H. Merchant	Chairman
Karam Ali	Vice Chairman
Ibrahim Khanmohamed	Secretary
Nurudin K. Damani	Treasurer
Akbarali I. Ghesani	Director
Kassamali Momin	Director
Nizar A. Kajani	Director
Nasrullah Prasla	Director
Abdul Sultan Sundrani	Director

CREDIT COMMITTEE

Abdul Sultan Sundrani	Chairman
Abdul Hamid Gulamali	Secretary
Amirali P. Momin	Member
Riyaz P. Nathoo	Member
Sadruddin K. Ali	Member

SUPERVISORY COMMITTEE

Nizar A. Kajani	Chairman
S.A. Keshani	Member
Farooq Esani	Member

AUSTIN MANAGEMENT COMMITTEE

Jaffar Ali Peermohammad	Chairman
Amir T. Momin	Secretary
Mohammed A. Momin	Member
Feroz A. Rajkotwala	Member
Allauddin N. Momin	Member

PERSONNEL

Mansoor Ali Tejany	Executive Officer
Akbarali I. Ghesani	Manager
Shehnaz Muradali	Office Assistant

Your Savings Federally Insured up to

\$100,000

by the National Credit Union Administration

a U.S. Government Agency

Nizari Progressive Federal Credit Union

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Hours

Monday – Friday

10.30 a.m. – 5.00 p.m.