

NIZARI PROGRESSIVE

FEDERAL

CREDIT UNION

NINTH

ANNUAL GENERAL MEETING

APRIL 11, 1999

HOUSTON, TEXAS

March 19, 1999

TO: ALL MEMBERS

FROM: IBRAHIM KHANMOHAMED, SECRETARY

SUBJECT: ANNUAL MEETING OF MEMBERS

The 1998 Annual Meeting of the members of **NIZARI PROGRESSIVE FEDERAL CREDIT UNION** will be held on **SUNDAY APRIL 11, 1999 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 four candidates to the Board of Directors (to replace four existing Directors whose terms are expiring)
- Any other business with the permission of the Chair.
- Adjournment.

LUNCH WILL BE SERVED AFTER THE MEETING.

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CHAIRMAN'S REPORT 1998

On behalf of the Directors of the Nizari Progressive Federal Credit Union, I am happy and honored to welcome each one of you to the Ninth Annual Meeting of the Credit Union and to present to you its annual report.

FINANCIAL PICTURE

As reflected in various charts and information in this report, you will notice that the credit union is well capitalized and its earnings are strong. The Return on Assets (ROA) is 4.73 percent compared to 0.90 percent for the peer group.

The solvency ratio of the credit union is 124.75 percent which is 4 percent higher than last year.

In short the financial picture portrayed in the following table shows that the credit union is robust and healthy.

ITEM	1997	1998	%INC/DEC
CAPITAL	\$ 684,972	\$ 886,735	29.5%
SHARES	\$ 3,299,794	\$ 3,656,133	10.8%
LOANS MADE	\$ 2,577,500	\$ 2,951,500	14.5%
GROSS INCOME	\$ 544,955	\$ 542,610	(0.4%)
EXPENSES	\$ 126,051	\$ 129,399	2.7%

Some key ratios in the following table will enable you to better understand the financial strength of Nizari Progressive Federal Credit Union compared with peer group:

RATIOS	NIZARI	PEER
Capital to Assets	20.38%	14.30%
Total Loans to Total Shares	102.39%	73.00%
Total Loans to Total Assets	82.36%	62.50%
Delinquent Loans to Loans	1.34%	2.20%

Though the earnings for 1998 remained strong, based on the prevailing money market conditions, the Board decided to reduce the dividend rate to 6.5 percent from last year's 7.0 percent which is still above market.

COMPOSITE CAMEL RATING

As per examination report of 1998 the Credit Union has been rated a CAMEL code "1", by the NCUA examiner. It is a matter of pride and honor that this highest rating has been assigned to Nizari Credit Union for five years in a row.

LENDING PORTFOLIO

The management has been striving constantly to increase the loan volume of the credit union. In this regard, the Board has taken several measures during the year under report to reach the goal set for loan growth. Some of the measures are described below;

- Restrictions on borrowers with valid work authorization have been relaxed.
- Total ban on guarantees by members with valid work authorization has been removed.
- High Doc loan limit has been raised to \$ 50,000.00 and eligibility criteria have been revised favorably.
- Effective January 01, 1999 the interest rate for small loans up to \$ 20,000.00 and below has been reduced to 14 percent.
- Spousal loan limit has been raised to \$ 25,000.00 from \$ 20,000.00.
- New loan products like automobile loans etc., will be introduced.
- Delivery service also has been improved to curtail time and provide quick, convenient and efficient service for processing and disbursement of loans.

This is also in keeping with the philosophy of credit union which is to provide excellent service to members and to offer good rates for both savers and borrowers.

COLLECTION POLICY

All efforts are made to retain members when collecting loans. The credit union strives to consider the well-being of a member as a part of its sound collection policy. If a member shows intent of fulfilling his obligation and presents a responsible financial plan then every effort is made to accommodate the member, sometimes even on very favorable terms. The causes of delinquency are properly analyzed and determined and full co-operation is offered to a member without incurring a financial loss to the credit union.

It is noteworthy to highlight that due to effective collection efforts of the staff and management that the delinquency ratio is kept to a minimum.

EXTENSION OF SERVICES TO OTHER JAMATS

As reported last year, we established a service center in Austin in 1997 and the Jamat is taking advantage of the services offered by the Nizari Credit Union.

As a result of a similar request from the San Antonio Jamat, we are happy to report that a service center was set up in 1998 and is now in full operation.

Based on the statistical data, the financial performance of both these centers is satisfactory.

The Dallas Jamat has also requested a facility catering to financial needs of its members and we are happy to report that approval has been received from the NCUA to establish a service center in Dallas. In-shah-Allah, in the near future the Dallas Jamat will also be able to take advantage of our financial services.

While on the subject, we are delighted to announce that the NCUA has granted us approval to establish a service center for New York Jamat.

This means that in 1999, two more centers will begin operations one each in Dallas and New York.

At our invitation five representatives from Atlanta Jamat had come to Houston to explore into possibility of formation of an independent Credit Union in Atlanta. We briefed them about the formation of a Federal Credit Union and provided them with necessary information and material. We also answered their questions to their satisfaction. Overall, the meeting was fruitful and successful.

In this regard, Alijah Amirali Hadi, the Chairman of EPB, USA, has always urged Nizari Credit Union to spread the concept of credit union to various Jamats in USA through presentations etc. To this end, we are taking every opportunity to help, assist and co-operate with Jamats in other parts of the country.

We are grateful to all Namdar Councils, Central Institutions and other Jamati institutions, including Mukhi and Kamadia Saheban of various Jamats for their encouragement, support and promotion of the credit union industry.

YOUTH MEMBERSHIP

An analysis of membership reveals that our membership is graying. The average age of credit union members is in the mid-forties. We have the lowest membership penetration rate in the 18-24 age group. Most individuals choose their primary financial institution by age 25 and stay with it, on an average of 15 years. We must establish a relationship with the youth today because within the next 10 to 20 years, they will constitute a major membership base. They are the first high-tech generation born into a world of computers, cell phones, ATMs and the Internet. Over time, they will be more attuned to e-commerce in all shapes, sizes and forms than any other market segment.

A separate committee of volunteers from the general membership, named YOUTH INVOLVEMENT COMMITTEE has been formed to promote youth membership.

YEAR 2000 BUG

The Year 2000 was a major issue in 1998 and continues to be so in 1999. In this regard we were being monitored by the NCUA for year 2000 compliance, and we had to forward periodical status reports to this agency. We are happy to report that we have successfully completed all required tests to ensure we are year 2000 ready. There is, therefore, no reason for any alarm or panic about the year 2000 glitch.

In-shah-Allah, when we enter the next millennium, we will be fully operational as all our systems are Y2K compliant and there will be no disruption of any business transactions.

However, a contingency plan has been set up to meet any eventuality in future.

EDUCATION AND TRAINING

Education is a continuous process and we avail of every opportunity to take advantage of any program designed to impart training to our directors, committee members, volunteers and staff.

Throughout the year, a number of trade associations and organizations hold seminars, workshops, conferences for the benefit of credit unions. Based on cost, venue and topic, we participate in such educational programs.

During the year under review, we organized two training programs at our site. Mr. Curtis Collins, Vice Chairman, JSC Credit Union was invited to speak on "Duties and Responsibilities of Directors". Mr. Jeff McGuire, TCUL Consultant, discussed and explained the issue of lending in general and home equity loans in particular.

Both of these programs were well attended by the directors and committee members.

STRATEGIC PLANNING SESSION

In order to develop and devise a business plan for the year 1999, a strategic planning session was held on November 17, 1998.


It was attended by the directors and committee members. Every participant was invited to express his views, ideas and opinions on critical issues concerning the credit union. The exercise was successful and contributed a great deal to future business plan and goals of the credit union.

THANKS AND APPRECIATION

The Nizari attributes its growth and progress to numerous individuals who have worked with devotion, dedication and passion to achieve astonishing results. These individuals are the directors, committee members, Austin and San Antonio management committees, the staff and a large number of voluntary workers who are working with zeal and enthusiasm. To all of them, I say, "THANK YOU", for the wonderful job they have done.

I also wish to offer my sincere thanks to the general membership 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

BALANCE SHEET
DECEMBER 31, 1998

LIABILITIES

Shares of members	\$ 3,656,133
Regular reserves	254,000
Special reserves	385,000
Reserve for EDP upgrade	15,000
Undivided earnings	232,735
Accounts Payable	1,640
Total Liabilities	\$ <u>4,544,508</u>

INCOME STATEMENT

Salaries & benefits	\$	71,676
Office rent & utilities		12,718
Office operations		1,715
Insurance		3,985
Maintenance & repairs		395
Postage & supplies		3,676
Association dues		2,345
Bank charges		1,103
Depreciation		2,706
Annual meeting expenses		1,404
NCUA fees		1,062
Education & promotion		1,299
Donation		1,000
Service Centers Expenses		979
Provision for loan losses		<u>23,336</u>
Total operating expenses		129,399
Gain from operations		<u>413,211</u>
Total	\$	542,610

DISTRIBUTION OF GROSS INCOME

Operating expenses	\$ 129,399
Dividends	211,449
Regular reserve	54,000
Special reserve	85,000
Reserve for EDP upgrade	15,000
Undivided earnings	<u>47,762</u>
	\$ 542,610

Nurudin K. Damani
Treasurer

CREDIT COMMITTEE REPORT 1998

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 1998.

During the year the total number of loan applications approved was 173. Each application was processed according to the existing laws, regulations and loan policy established by the Board. The aggregate amount of loan granted during the year was \$ 2,951,500 which amounts to a monthly average of \$ 245,960. It is note worthy to report that the average outstanding loan size is \$ 11,949 and the ratio of borrowers to members is 21%.

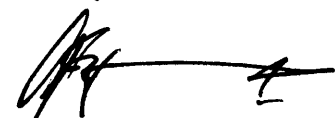
The Committee appreciates the co-operative spirit of borrowers in supplying pertinent information and documentation required to process their applications speedily. Moreover, to provide quick, convenient and efficient service to borrower members, requests for loans were accepted on any day during the month. This process curtailed lot of waiting time and mostly requests were approved and payment disbursed within a week provided all formalities were completed.

It is worthwhile to mention here that the Committee tried to accommodate members' loan request to the maximum extent relying 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, makes recommendations from time to time 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 1998 a successful year.

Thank you.



Abdul Sultan Sundrani
Chairman

SUPERVISORY COMMITTEE REPORT 1998

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.

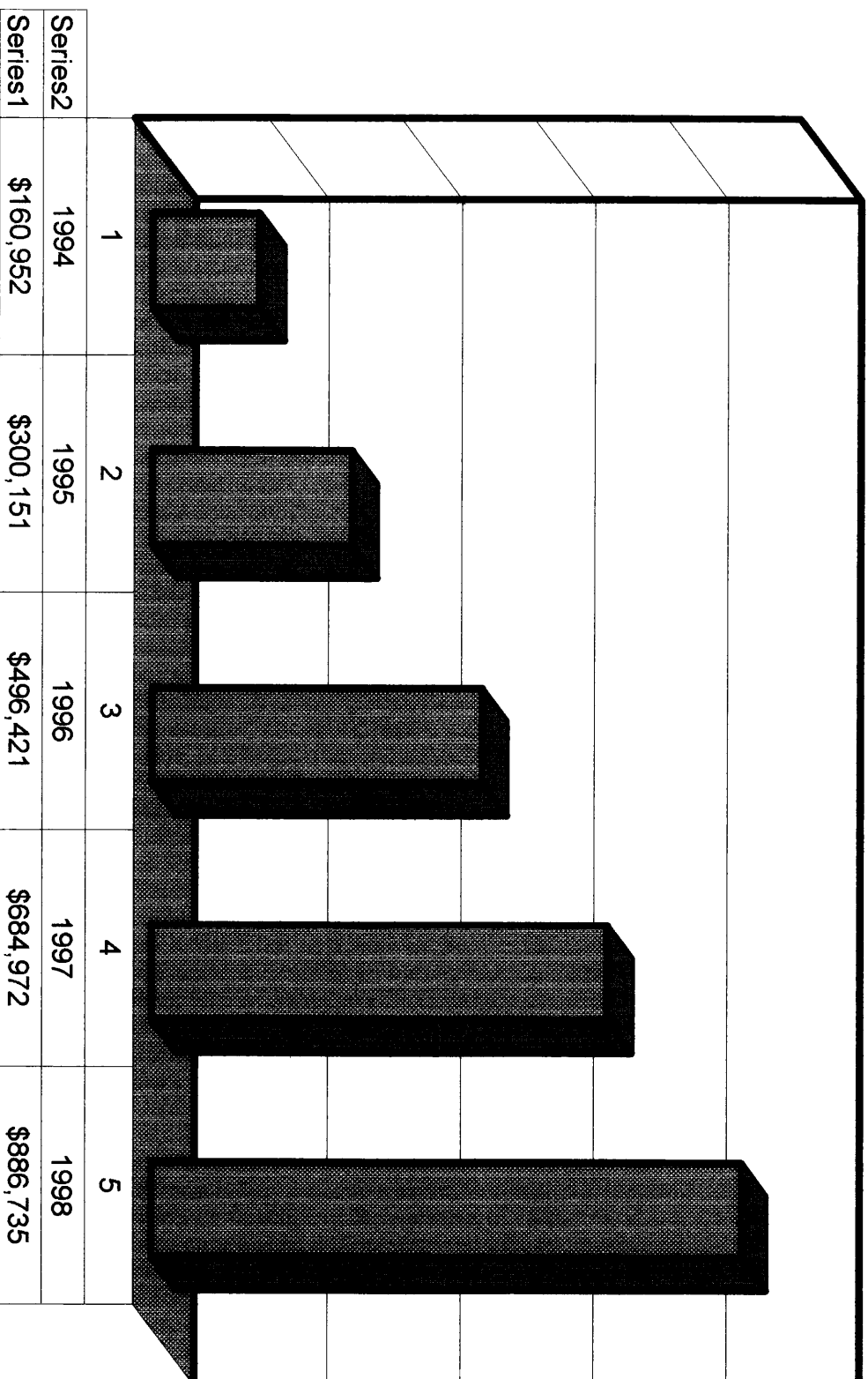
To the best of our knowledge and belief the Credit Union's financial records are maintained in accordance with the existing laws and regulations. The financial statements of the Credit Union represent true and complete picture of its financial condition.

Thank you.

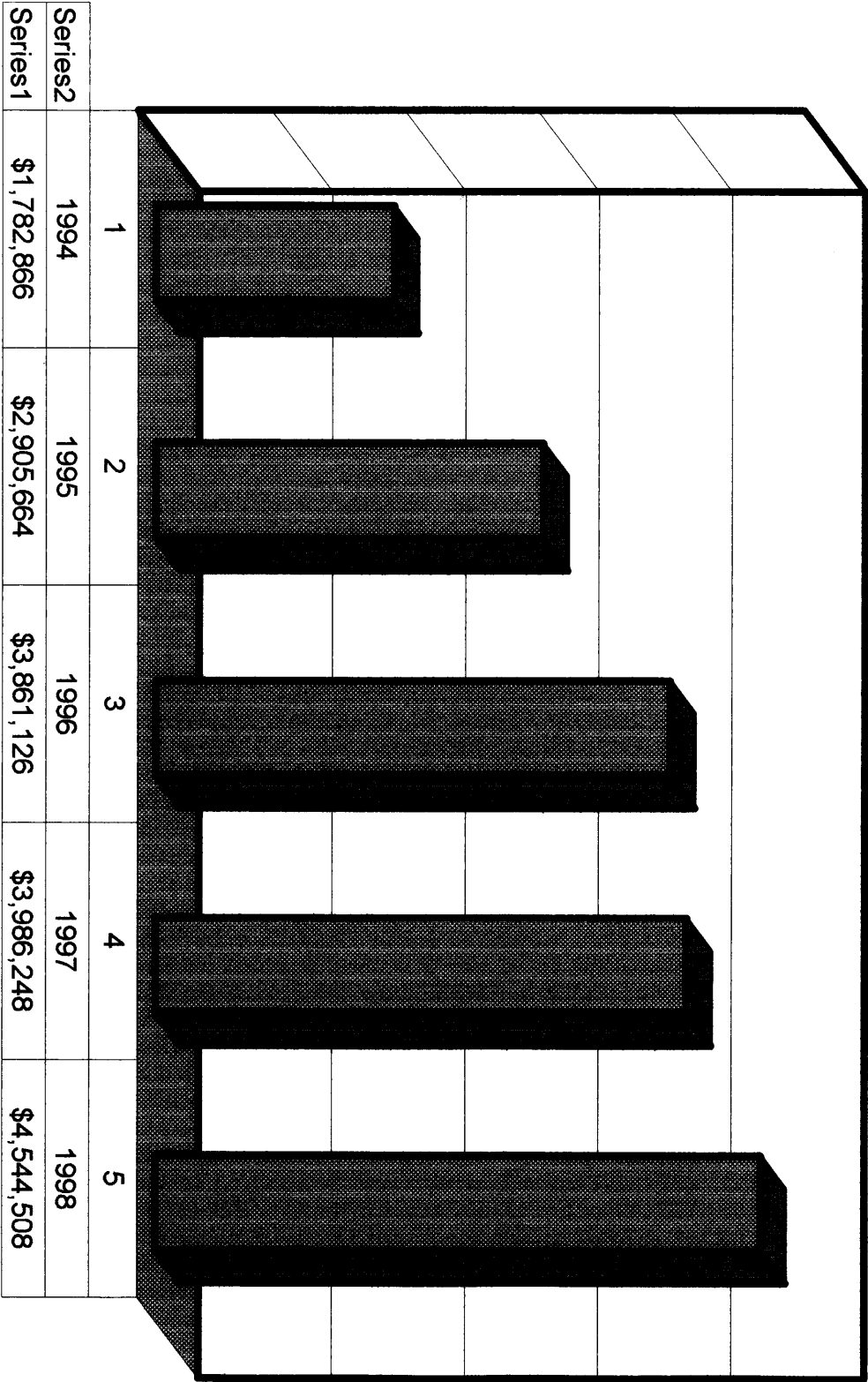


Nizar A. Kajani
Chairman

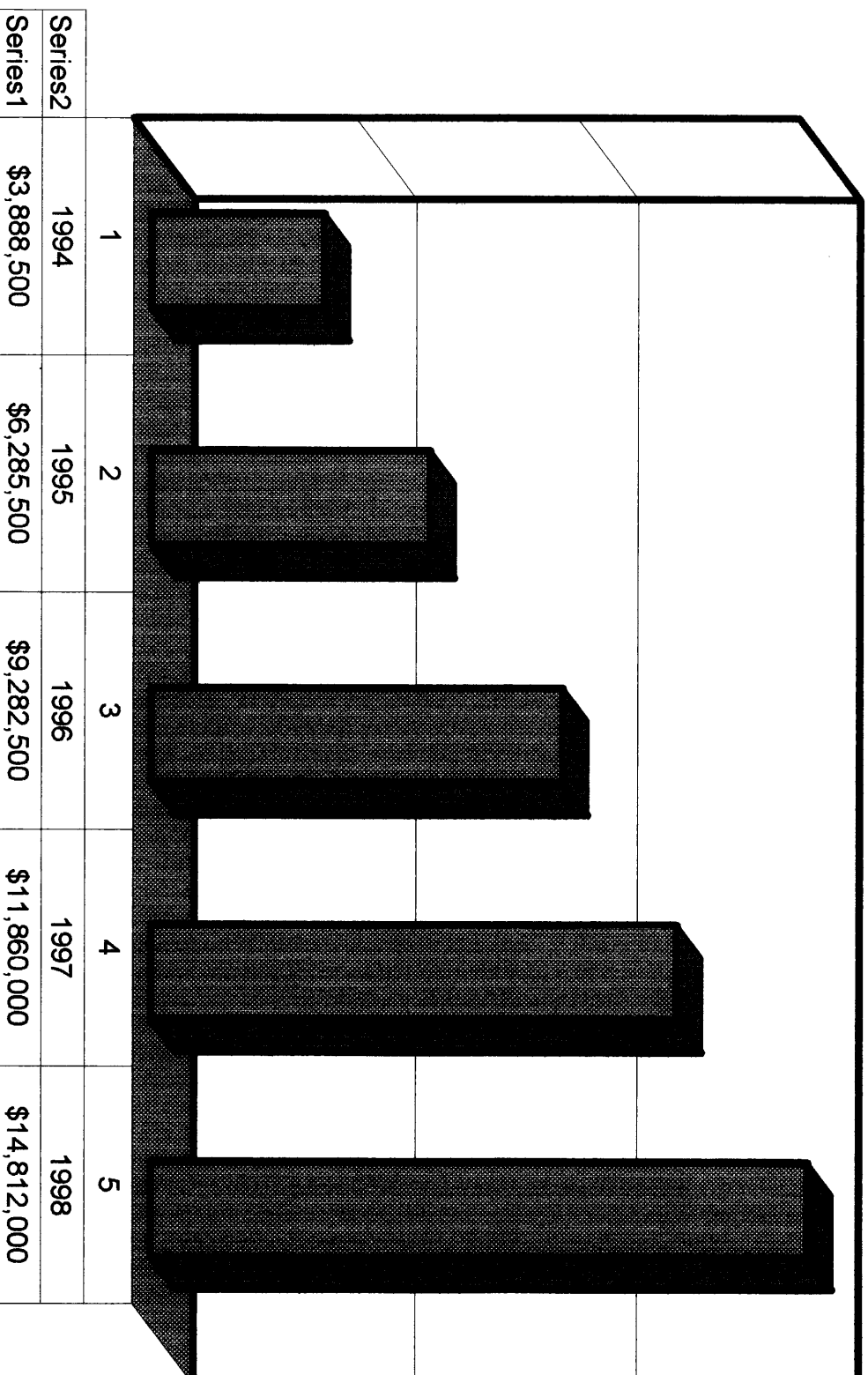
NIZARI PROGRESSIVE FEDERAL CREDIT UNION **CAPITAL GROWTH 1994-1998**



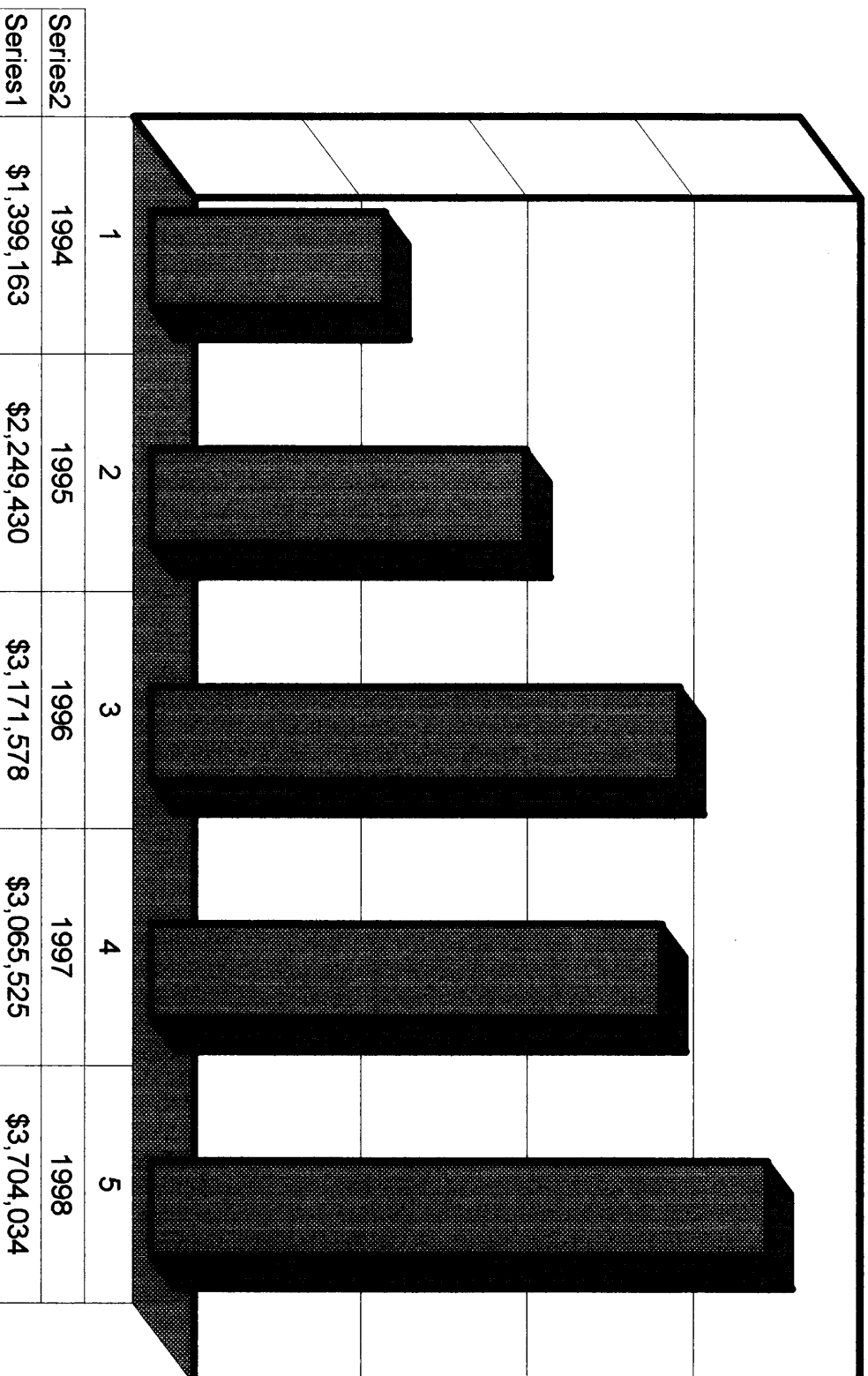
NIZARI PROGRESSIVE FEDERAL CREDIT UNION
ASSETS GROWTH 1994-1998



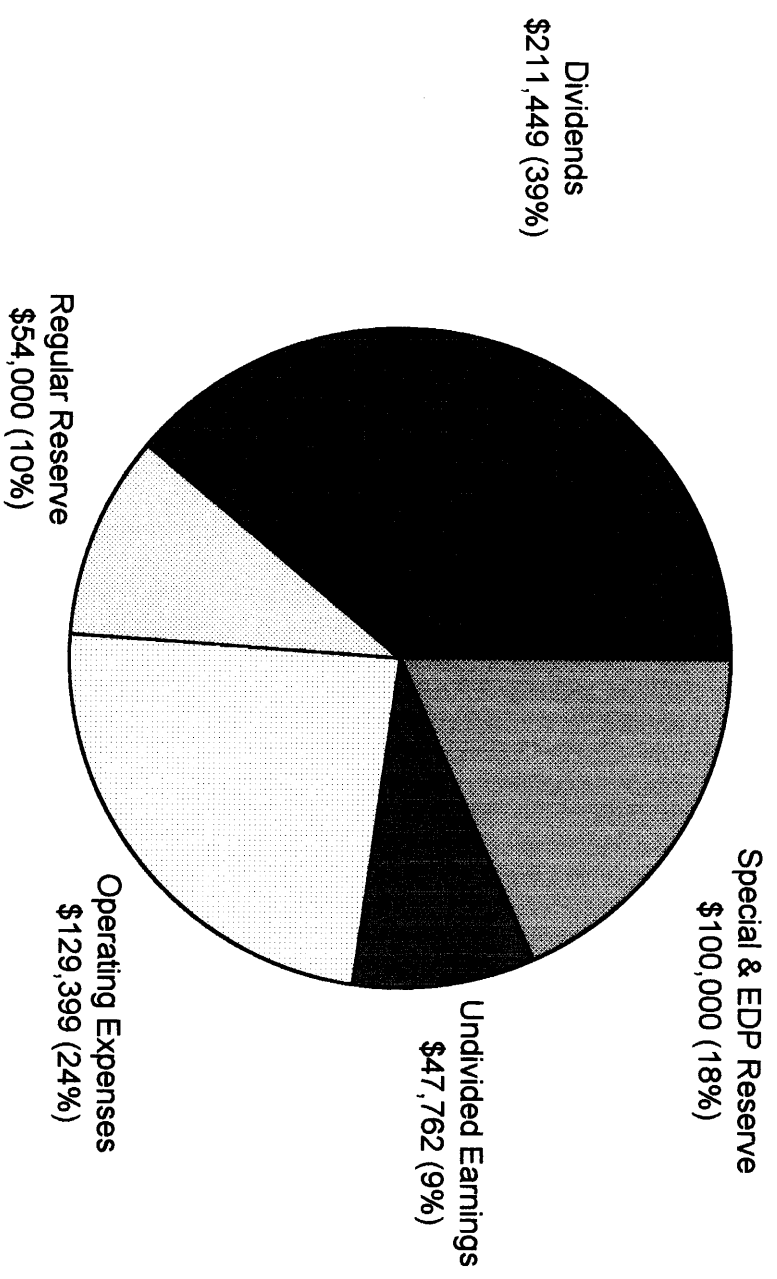
NIZARI PROGRESSIVE FEDERAL CREDIT UNION **LOAN GROWTH 1994-1998**



NIZARI PROGRESSIVE FEDERAL CREDIT UNION OUTSTANDING LOANS 1994-1998



NIZARI PROGRESSIVE FEDERAL CREDIT UNION
GROSS INCOME DISTRIBUTION 1998
Gross Income \$542,610



BOARD OF DIRECTORS

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

Chairman
Vice Chairman
Secretary
Treasurer
Director
Director
Director
Director
Director

CREDIT COMMITTEE

Abdul Sultan Sundrani
Abdul Hamid Gulamali
Amirali P. Momin
Sadrudin K. Ali
Mehmood Ahmed Ali

Chairman
Secretary
Member
Member
Member

SUPERVISORY COMMITTEE

Nizar A. Kajani
Abbas Ali Tailor
Sadiq Dosani

Chairman
Member
Member

PERSONNEL

Mansoor Ali Tejany
Akbarali I. Ghesani
Zohra I. Pirani

Executive Officer
Manager
Office Assistant

FINANCIAL SERVICE CENTERS

AUSTIN

MANAGEMENT COMMITTEE

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

Chairman
Secretary
Member
Member
Member

SAN ANTONIO

MANAGEMENT COMMITTEE

Sadraddin Sarfani
Sadraddin Ali
Aslam Ramzanali
Shaukat Ali Momin
Shireen Jamani

Chairman
Secretary
Member
Member
Member

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Nizari Progressive Federal Credit Union

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Hours

Monday – Friday

10.30 a.m. – 5.00 p.m.