

NIZARI PROGRESSIVE

FEDERAL

CREDIT UNION

TWELFTH

ANNUAL REPORT

&

GENERAL MEETING

APRIL 6TH & 7TH, 2002

HOUSTON/DALLAS, TEXAS

February 11, 2002

TO: ALL MEMBERS

FROM: AZIZUDDIN BHADANI, SECRETARY

SUBJECT: ANNUAL MEETING OF MEMBERS

The 2001 Annual Meeting of the members of **NIZARI PROGRESSIVE FEDERAL CREDIT UNION** will be held on **SUNDAY APRIL 7, 2002 at 1.00 P.M.** at **VILLAGE BANQUET HALL**, 11920 South Highway 6, #1200, Sugarland, Texas 77478 (for Houston members) and on **SATURDAY APRIL 6, 2002 at 8:30 P.M.** at **AL-MARKAZ BANQUET HALL**, 1205 W. Trinity Mills, Carrollton, Texas 75006 (for Dallas members).

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 six candidates to the Board of Directors (to replace six existing Directors whose terms are expiring)
- Any other business with the permission of the Chair.
- Adjournment.

FOOD WILL BE SERVED AT THE MEETING.

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CHAIRMAN'S REPORT 2001

On behalf of the Directors of the Nizari Progressive Federal Credit Union, I am pleased to welcome you today to the 12th Annual General Meeting and to present the highlights of the Annual Report for the year ending December 31, 2001.

FINANCIAL STRENGTH

Let me summarize in one sentence that the financial condition of the Nizari is strong and solvent and the return on average assets is 5.5% compared to 3.9% last year, which is way higher than peer ratio of only 0.71%. This is borne out by the annexed report of the Treasurer.

Further the following numbers speak for themselves:

Item	2000	2001	% Inc/Dec
Capital	1,521,946	2,291,944	50.6%
Shares	10,187,399	14,569,521	43.0%
Loans Made	8,723,000	10,720,000	22.9%
Gross Income	1,120,724	1,839,369	64.1%
Assets	11,710,302	16,923,524	44.5%

The following key ratios indicate financial position of Nizari Progressive Federal Credit Union vis-a-vis peer groups.

RATIOS	NIZARI	PEER
Capital to Assets	13.5%	12.3%
Total Loans to Total Shares	104.6%	69.3%
Total Loans to Total Assets	90.1%	60.3%
Delinquent Loans to Loans	0.8%	1.4%

We owe our financial strength to you, our valued members who continue to place their trust in us.

In 2001, the Board decided to pay dividend six monthly instead of yearly. The Board declared 5.0% dividend to the members, the year-end dividend was given on cumulative balance that included six monthly dividends.

Last year the Board decided to go low on dividend and high on interest rate was only due to the fact that our Capital to Assets ratio was down to 12% but we anticipate that this year (2002) Inshallah we will do much better. For the information of the members I am delighted to inform that as of February 2002 we have increased this ratio to 14.5%.

POINTS TO BE NOTED

I am also pleased to inform the membership that we have made a donation of \$ 2,500 to Aga Khan Foundation for Partnership walk in Houston and \$ 2,500 for Partnership Walk in Dallas.

I am also very pleased to inform the general membership that we have achieved CAMEL code rating of '1' this year which clearly indicates that we are back on track and our credit union is very strong as well as we anticipate strongly to be on road to success in future.

During last presentation was also made to the Board by TCUL representative Ms. Marion Mitchell whereby she described the duties and responsibilities of the director and also made comparison of Nizari with other credit unions. She mentioned that Nizari is doing very well as far as the capital margin; the cost of funds and the earning analysis is concerned.

Also last year there was a big change made in Loan policy for the benefit of the members who borrowed loans from us. The board decided to reduce the hold amount from 20% to 10% to enable member to get more money up front.

I am also very glad to give out this information to the members that we have so far thru AKEB disbursed more than \$ 300,000 as student loans.

EVENING TIMINGS

In order to facilitate members who daily come to Jamatkhana, the Board extended the business hours in the evening. Due to this additional facility members now transact business during evening hours after Jamatkhana. Members in general have appreciated this change. Especially those members who cannot come to the office during the daytime for business consider this a great blessing, better convenience and easy access. For the convenience of our Dallas members, their office is opened every day Mon thru Sat after jamatkhana for more than 1 ½ hour.

NEW PRODUCTS AND SERVICES

- This year Nizari has introduced IRA for the benefit of all the members and to increase the awareness in the membership to save for the retirement.
- For the convenience of our members and great demand from the members, Nizari has started ACH services that enable the members to instruct their banks to directly debit their account and make their loan installment payment to Nizari.
- We have just recently introduced offering a special rate of interest on loans for the benefit of the members and to be competitive with the market. This special will end on April 30, 2002.

- The Board has also approved a new kind of loan that will be available to meet the medical expenses of pregnancy and delivery up to \$ 5,000.
- We will be offering internships to High School and College graduates for 12 weeks period to enhance their experience with financial institutions.
- We had a long session of planning this year wherein new products and services were discussed and time line was finalized. Members will be notified thru newsletter for these new products and services.
- I am pleased to inform the members that we have also finalized to buy new software for the credit union, which will enable us to directly linked Dallas, and Chicago centers with the Headquarter (Houston). Also this software is capable of all the new products that we plan to introduce.

CENTER IN DALLAS PROGRESS

As you all know that Dallas center was opened August 1999, and we have since received tremendous respond from the Dallas Jamat. As on February 2002 the total number of members was approximately over 850 and the share deposit stood at about \$2.8 million. The total amount of loan granted to members in Dallas at the close of the year was around \$1.3 million.

This speaks highly of the Dallas Management Committee who worked hard with zeal, dedication, commitment and sincerity to achieve wonderful results. They really deserve our applause.

To them we convey our sincerest thanks and appreciation.

OPENING OF CHICAGO CENTER

It is my honor and privilege to inform the general membership that we are in process of opening a new center in Chicago. In fact Chicago Management Committee has already been identified and we visited Chicago last month and met with their members. At this point they were trained and Inshallah we will launch this center on April 28, 2002 when we will have our open house in Chicago. The membership drive has already begun and we expect to have big response from there.

THANKS AND APPRECIATION

This year our long time Director Mr. Kassamali Momin is leaving us due to certain business and personal engagements. During his tenure of office as a Director and Secretary of the Board for the last 12 years, he has rendered meritorious services for which we commend him. His contribution to the growth and progress of the credit union is outstanding. His business acumen and skill is praise-worthy. To him we offer our sincerest thanks and wish success in his endeavors.

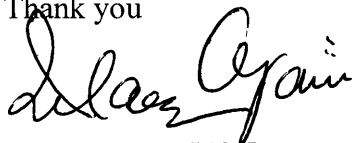
My sincere thanks to Akberali Khoja for excellent work and dedication for last several years. Thanks to Sadiq Ali Dosani for continuous 5 years services and hard work. I wish to commend Mr. Barketali Roopani, Farooq Esani and Badruddin Budhwani for their meritorious two years of service as a Director. My hats off to Aziz Rupani and Aly Hussaini for their time and devotion. Last but not the least I could never thank enough our two fellow directors Mr. Malik Waliany and Mr. Azizuddin Bhaidani for their continuous support, advice and assistance, without which we could not have achieved our goal.

I also take this opportunity to profusely thank my fellow directors, various committee members, management committees of Austin, San Antonio and Dallas and a large number of volunteers for their excellent job and dedication.

Our thanks are also due to the members of staff for their devotion, hard work and sincerity.

Lastly we are grateful to the general membership for its support and co-operation and other institutions and individuals for their advice and assistance offered from time to time.

Thank you



DILAWAR AJANI
Chairman

NIZARI PROGRESSIVE FEDERAL CREDIT UNION
Treasurer's Report - 2001
Financial Statements for the Year 2001

Balance-Sheet as at December 31, 2001

<u>Assets</u>		<u>Liabilities</u>	
Loans to Members	15,096,888	Members' Regular Shares	11,496,386
Cash at Bank	95,084	Members' Special Shares	2,373,136
Investments	1,567,092	Certificate of Deposits	700,000
Deposit with NCUSIF	101,874	Reserves:	
Fixed Assets	51,138	Regular Reserve	600,000
Prepaid Expenses	5,924	Reserve for Contingencies	1,000,000
Sundry Deposits	5,525	Provision for EDP Upgrade	130,000
		Undivided Earnings	559,044
		Donated Equity	2,900
		Interest on CDs Payable	56,535
		Sundry Liabilities	5,524
	<u>\$16,923,525</u>		<u>\$16,923,525</u>

<u>Income</u>		<u>Expenditure</u>	
Interest Income	1,710,340	Employees' Compensation & Benefits	133,532
Income from Investments	50,284	Travel and Conference Expenses	1,529
Entrance Fees	8,785	Office Occupancy Expenses	45,649
Fees & Charges	68,446	Office Operations Expenses	25,140
Miscellaneous Income	1,514	Loan Servicing Expenses	3,109
		Educational & Promotional Exp	643
		Professional and Outside Services	19,500
		Insurance - Bond & Others	6,163
		NCUA Operating Fees	3,138
		Association Dues	4,649
		Donation	5,000
		Annual Meeting Expenses	13,948
		Provision for Loan Losses	95,934
		Miscellaneous Operating Expenses	3,496
		Total Operating Expenses	\$361,430
		Operating Gains	1,477,939
Total	<u>\$1,839,369</u>	Total	<u>\$1,839,369</u>

Statistical Information

Number of Members	3,729
Outstanding Loans	999
Loans since commencement	Amount \$ 40 Millions
Loans since commencement	Number 2,551

Distribution of Gross Income

Operating Expenses	361,430
Dividends & Interest on CD's	639,258
Transfer to Regular Reserve	100,000
Transfer to Reserve for Contingencies	450,000
Transfer to Undivided Earnings	288,681
	<u>\$1,839,369</u>



Abdul Aziz Rupani
Treasurer

CREDIT COMMITTEE REPORT 2001

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 2001.

During the year the total number of loan applications approved was 544 compared to last year of 499. Each application was processed according to the existing laws, regulations and loan policy established by the Board. Keeping in mind the economic situation and safety and soundness principle, this year the Committee decided to get more information about the guarantors. The aggregate amount of loan granted during the year was \$ 10,720,000 compared to last year for \$ 8,723,000, an increase of 23%. The monthly average loan was \$ 893,300 compared to last year of \$ 726,900.

The Committee appreciates the co-operative spirit of borrowers in supplying pertinent information and documentation required to process their applications speedily. 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 2001 a successful year.

Thank you.

A handwritten signature in black ink, appearing to read 'Akber Ali Khoja'.

Akber Ali Khoja
Chairman

SUPERVISORY COMMITTEE REPORT 2001

I am pleased to report that the National Credit Union Administration has conducted a comprehensive examination of Nizari's financial condition for the year 2001.

Mr. Don McAlexander, the NCUA examiner, has expressed his satisfaction at the progress and financial soundness of Nizari. Additionally, Texas Credit Union League has performed verification of 100% of member accounts as of June 2001.

We have also retained the services of Mr. John Weaver of A. John Weaver and Associates, an outside independent auditor, to do a detailed and comprehensive audit of our credit union and account verifications to be completed shortly. Mr. John Weaver will inspect and verify the following accounting records and his report of findings will be posted on the office notice board for the benefit of members.

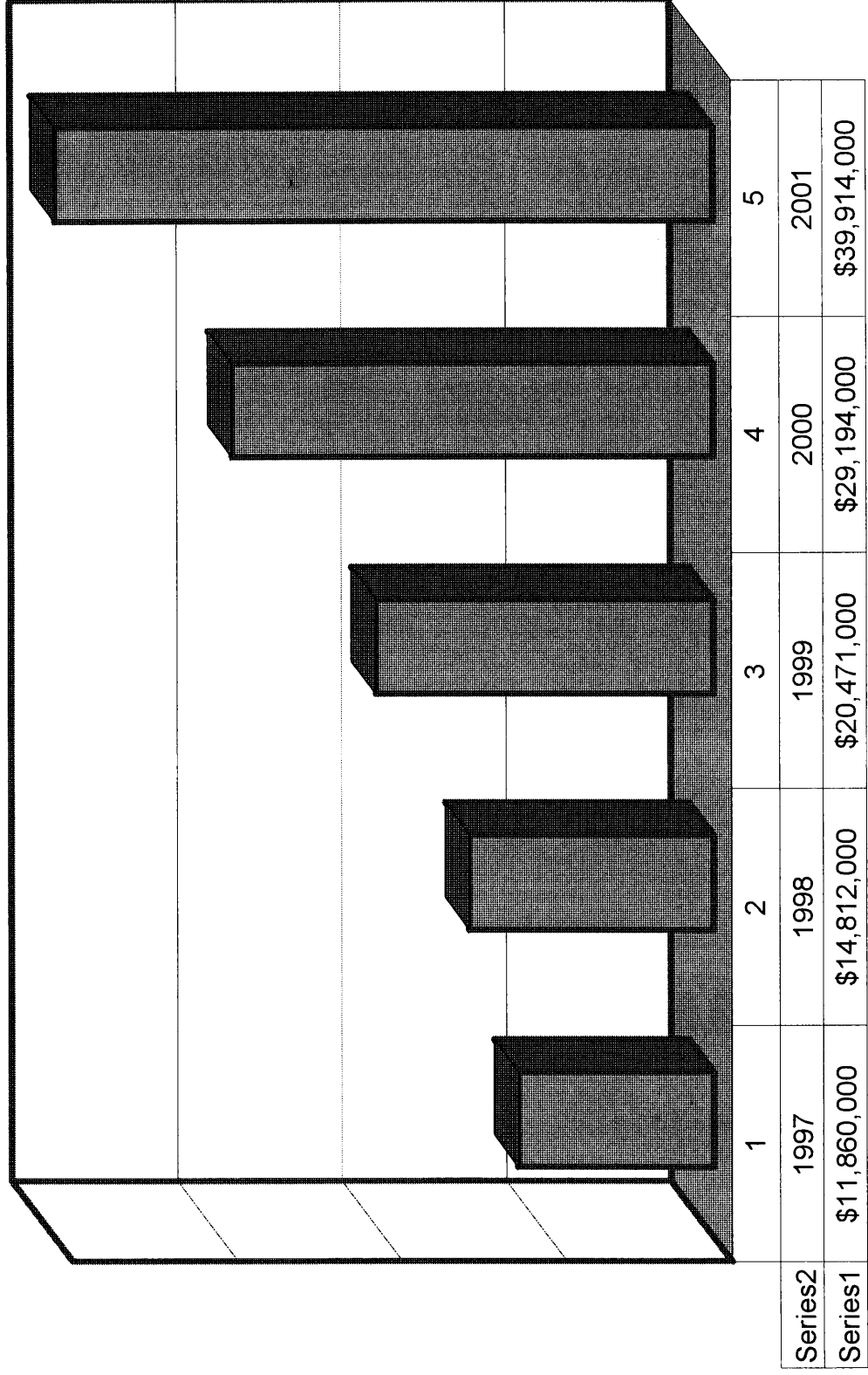
Petty Cash Account	Bank Reconciliation
Members' closed Accounts	Fixed Assets
Members' Shares and Loan Accounts	Loan Documentation
Trial Balance and Balance Sheet	Outstanding Loans

As per the findings of the NCUA examiner, Nizari'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 condition.

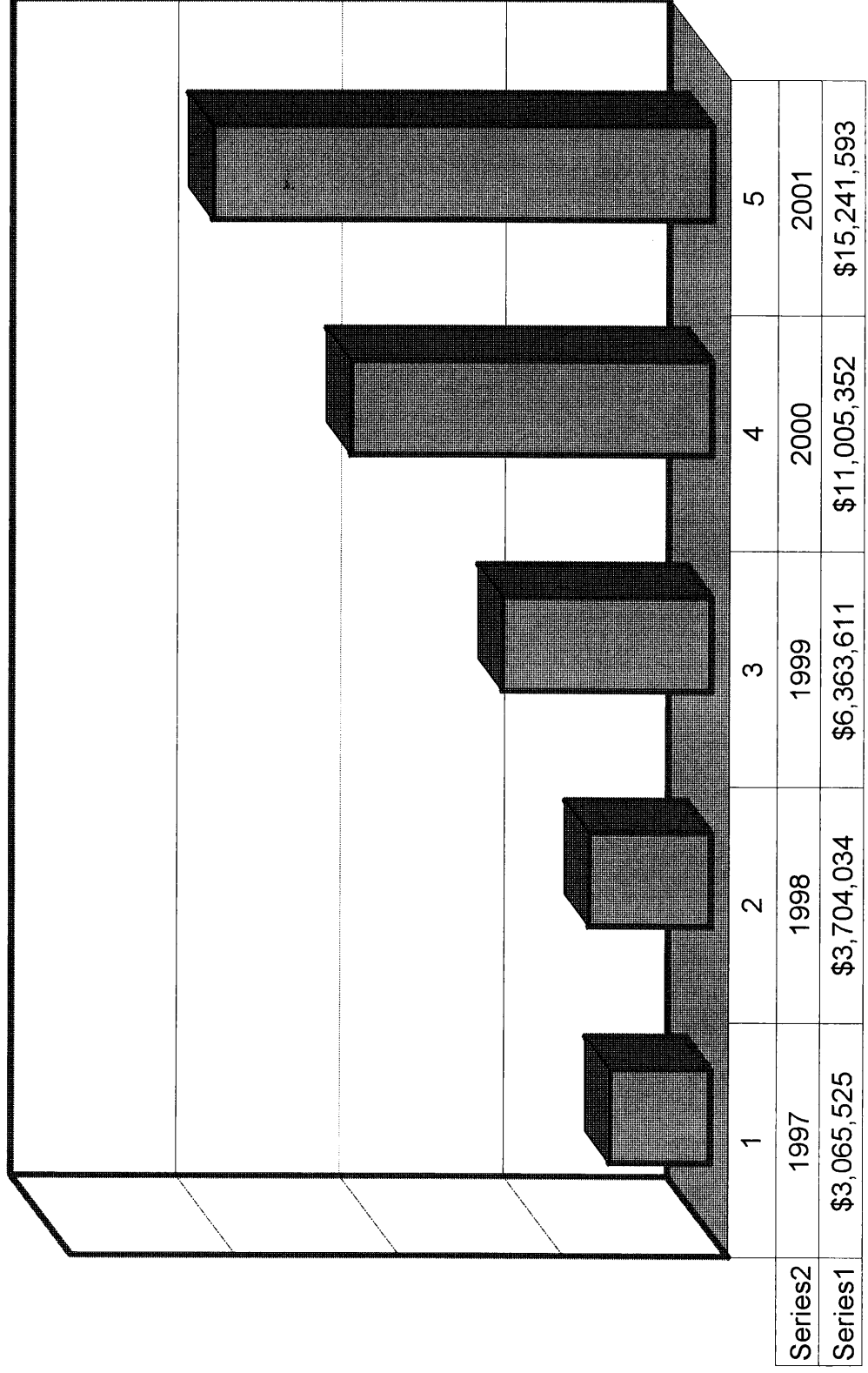
Thank you.

Sadiq Ali Dosani
Chairman

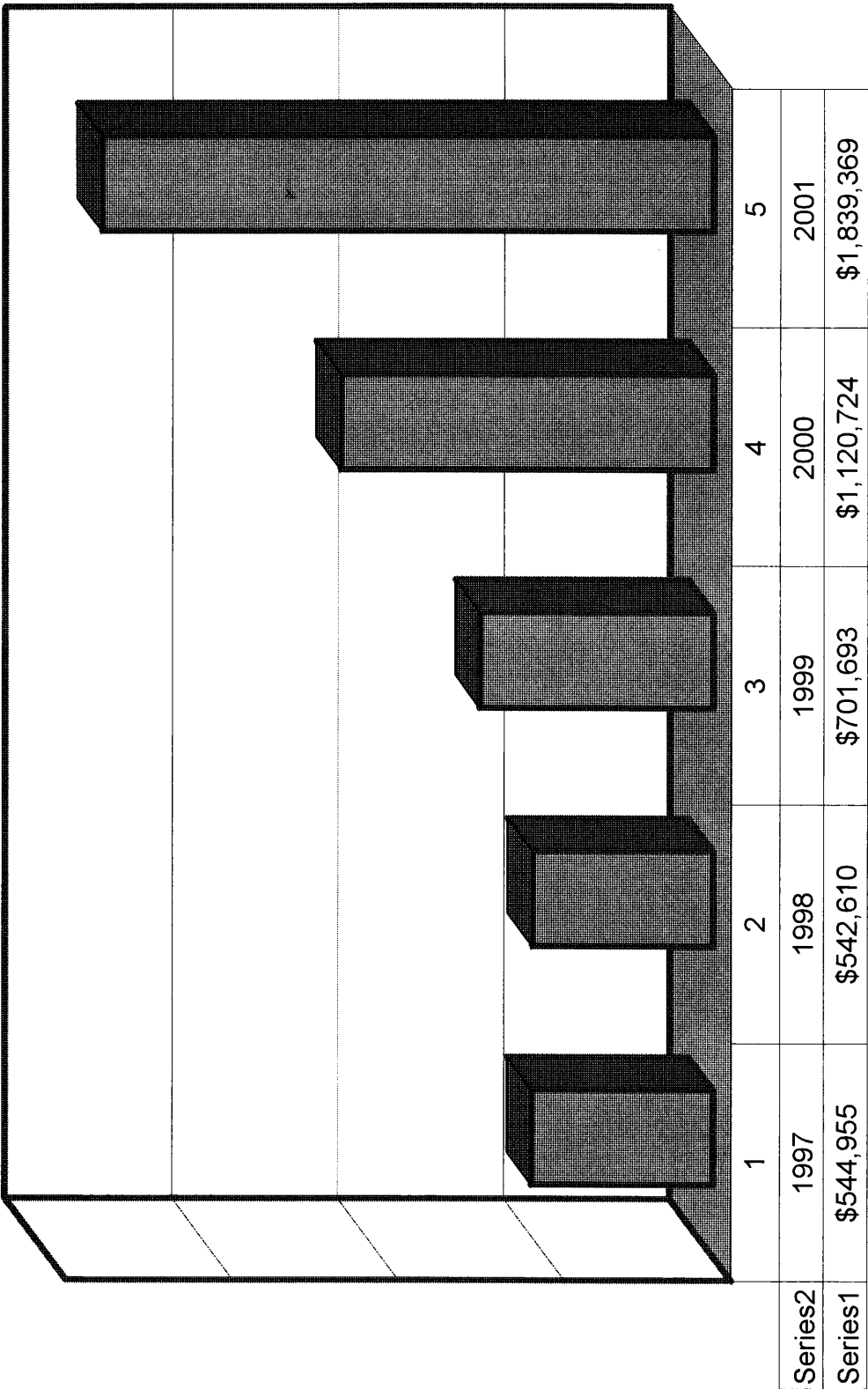
NIZARI PROGRESSIVE FEDERAL CREDIT UNION **LOAN GROWTH 1997-2001**



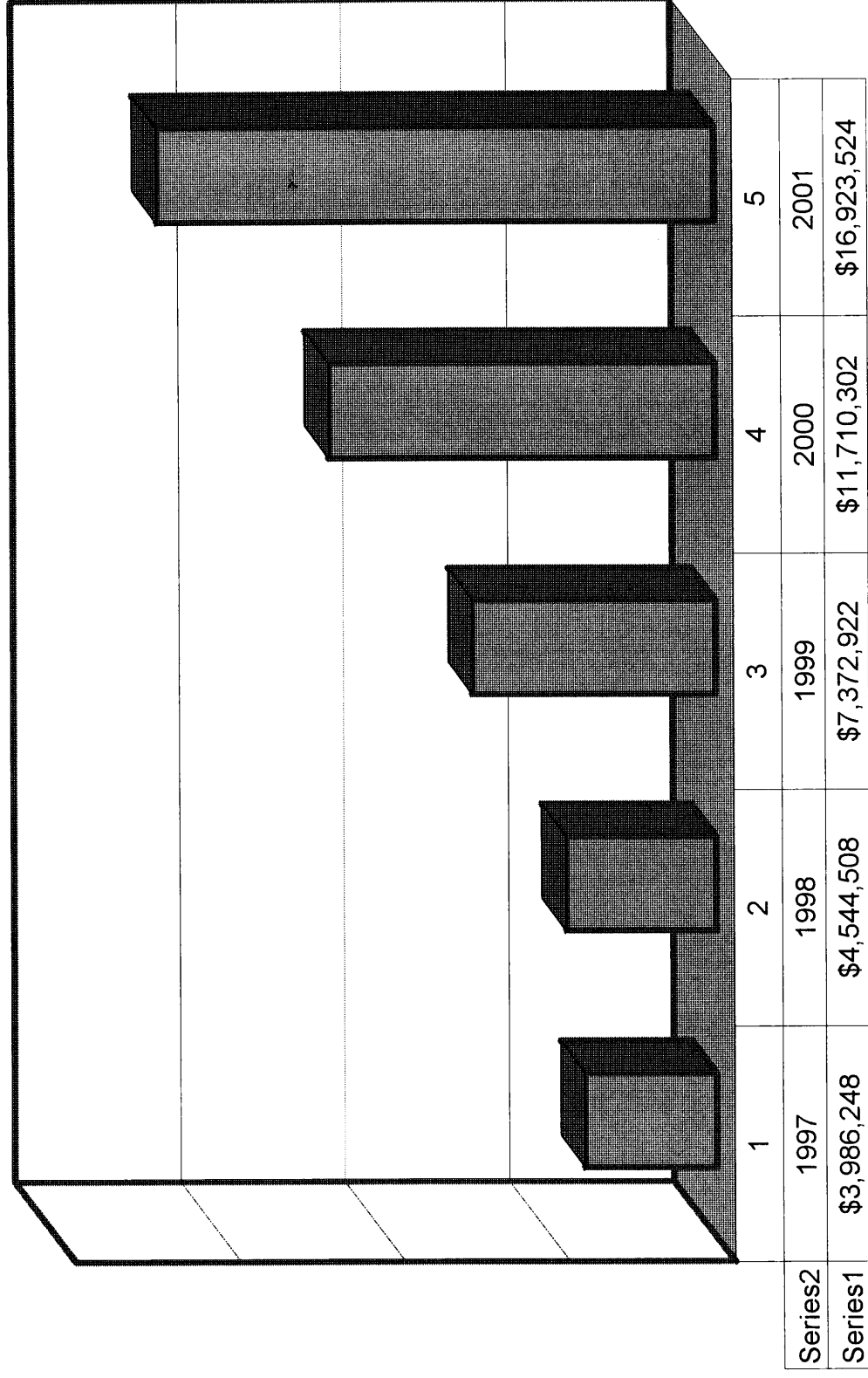
NIZARI PROGRESSIVE FEDERAL CREDIT UNION **OUTSTANDING LOANS 1997-2001**



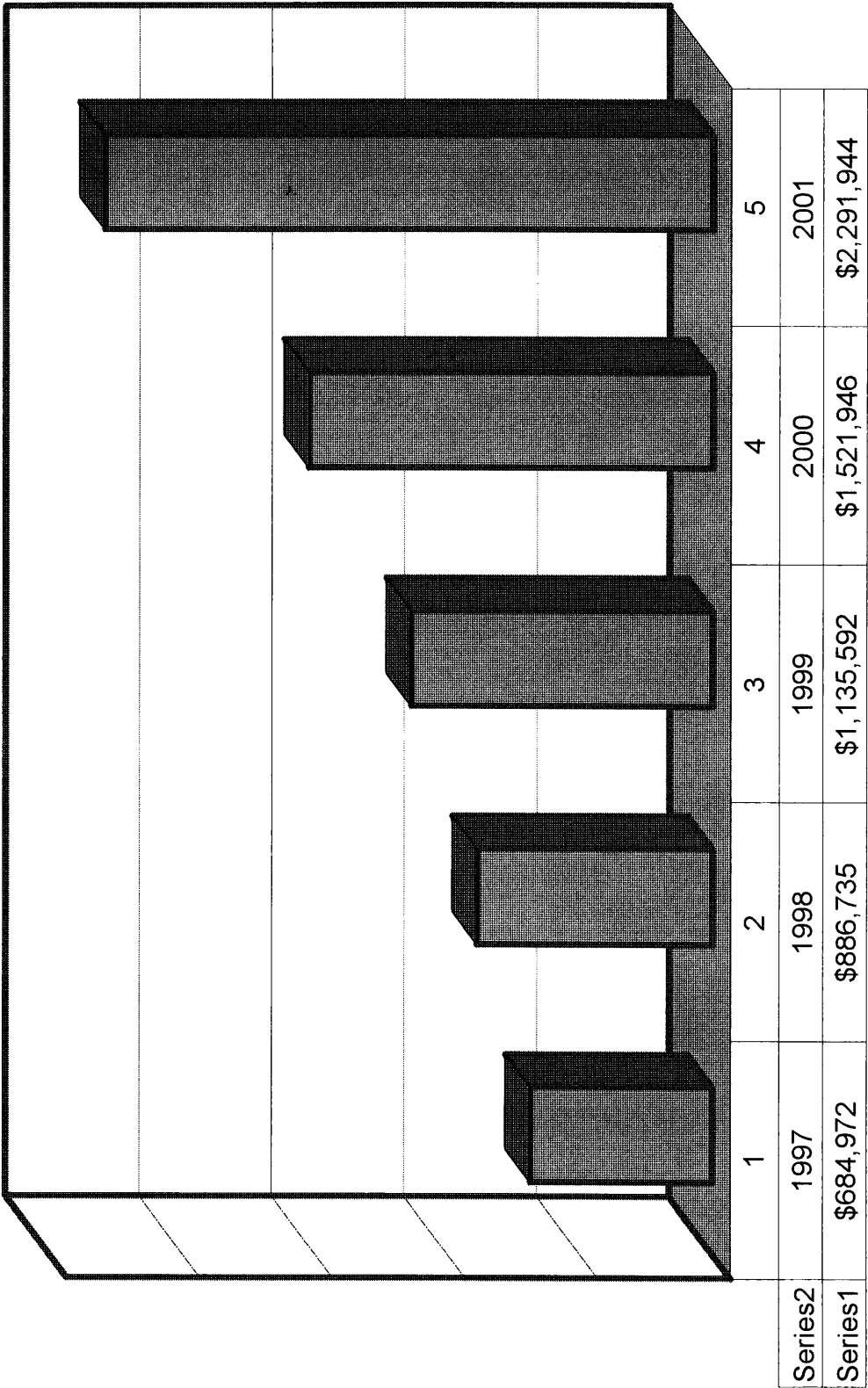
NIZARI PROGRESSIVE FEDERAL CREDIT UNION
INCOME GROWTH 1997-2001



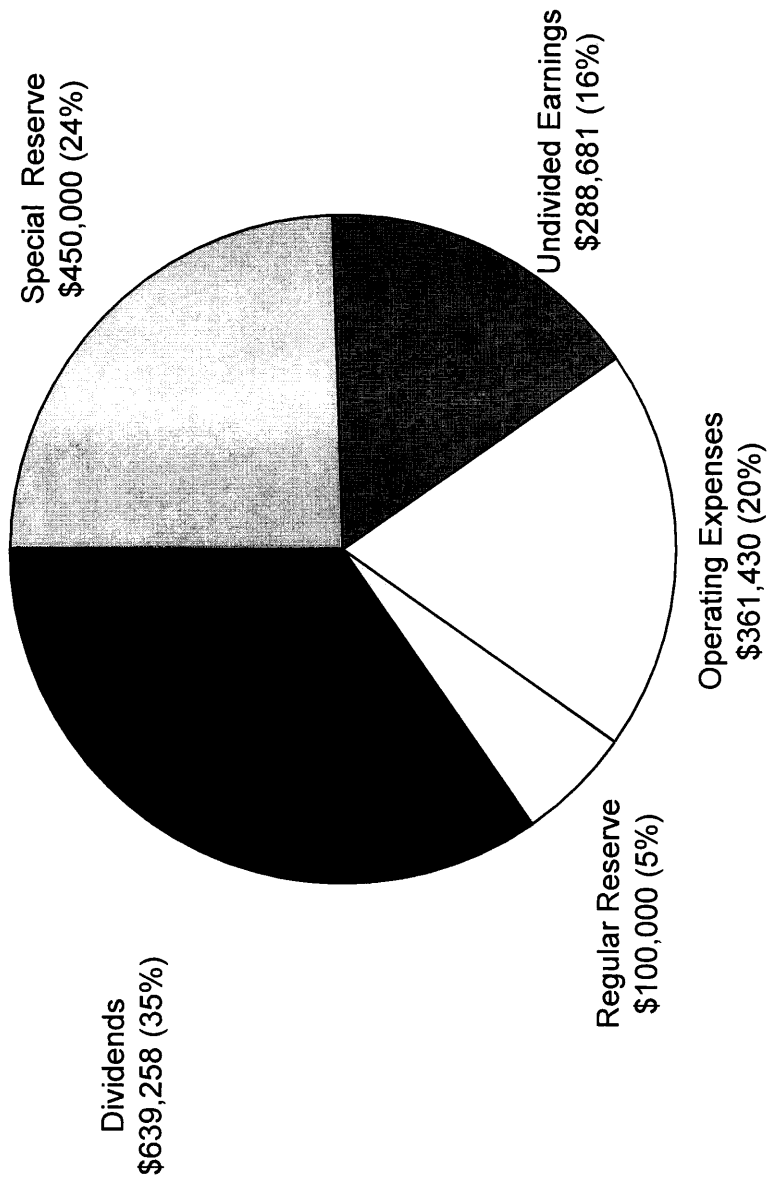
NIZARI PROGRESSIVE FEDERAL CREDIT UNION **ASSETS GROWTH 1997-2001**



**NIZARI PROGRESSIVE FEDERAL CREDIT UNION
CAPITAL GROWTH 1997-2001**



NIZARI PROGRESSIVE FEDERAL CREDIT UNION
GROSS INCOME DISTRIBUTION 2001
Gross Income \$1,839,369



BOARD OF DIRECTORS

Dilawar Ajani	Chairman
A. Malik Waliany	Vice Chairman
Azizuddin Bhaidani	Secretary
Abdul Aziz Rupani	Treasurer
Sadiq Ali Dosani	Director
Kassamali Momin	Director
Akber Ali Khoja	Director
Badruddin Budhwani	Director
Barketali Roopani	Director
Farooq Esani	Director
Aly Hussani	Director

CREDIT COMMITTEE

Akber Ali Khoja	Chairman
Azizuddin Bhaidani	Secretary
Abdul Sultan Sundrani	Member
Nasir Panjwani	Member
Shairali Kadiwal	Member
Amirali Narsi	Member
Hasanali Momin	Member

SUPERVISORY COMMITTEE

Sadiq Ali Dosani	Chairman
Hussain Jawer	Member
Laila Hemani	Member

PERSONNEL

Mansoor Ali Tejany	Manager
Aslam Lakhani	Loan Officer
Naureen Hussani	Office Assistant
Salima Mawji	Office Assistant

FINANCIAL SERVICE CENTERS

AUSTIN

MANAGEMENT COMMITTEE

Mr. Mubarak Maknojia	Chairman
Ms. Munira Dhodiya	Secretary
Mr. Jaffer Ali Peemohammed	Member
Mr. Ismail Ali	Member
Mr. Rahemtu Maknojia	Member

SAN ANTONIO

MANAGEMENT COMMITTEE

Mr. Sadruddin A. Ali	Chairman
Mr. Mansoor Kapadia	Secretary
Mr. Kabir Kradiya	Member
Mr. Suleman Makani	Member
Mr. Sadruddin Abjani	Member

DALLAS

MANAGEMENT COMMITTEE

Mr. Abdul Aziz Rupani	Chairman
Mr. Aly Hussaini	Secretary
Mr. Malik Barrister	Member
Mr. Barkat Ali Basaria	Member
Mr. Sikander Nayani	Member
Mr. Anwar Heerji	Member
Mr. Badruddin Walji	Member