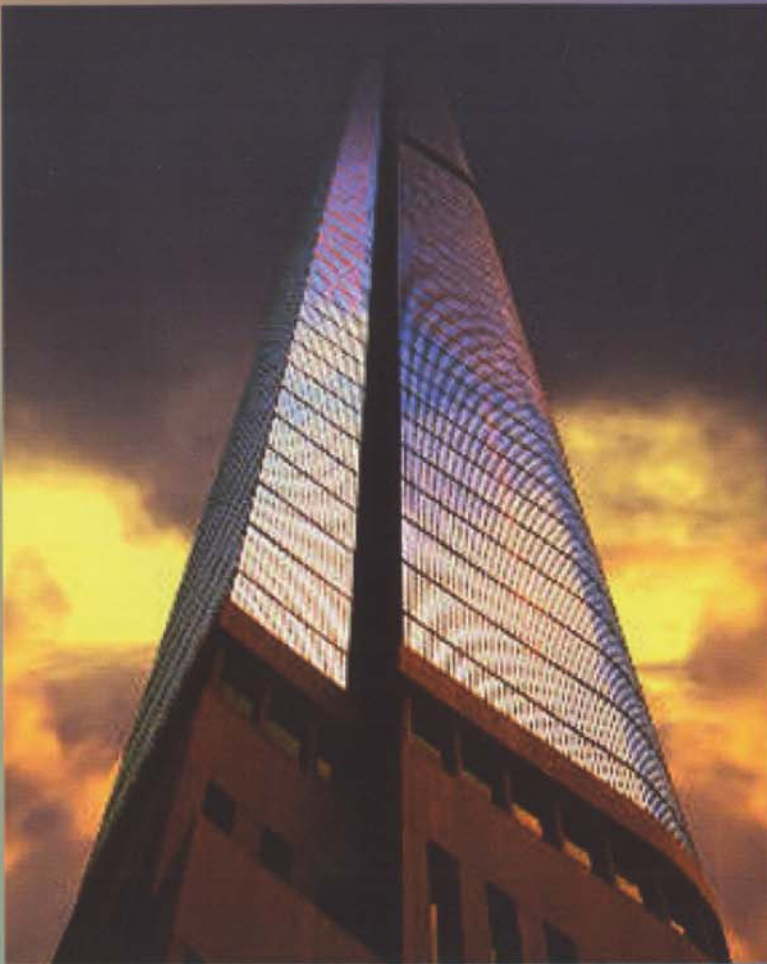


# ANNUAL REPORT



2  
0  
0  
3



**NIZARI**  
PROGRESSIVE FEDERAL  
CREDIT UNION

# BOARD OF DIRECTORS

## 2003



**A.MALIK WALIANY**  
Chairman



**ASHRAF M. ALI**  
Vice Chairman



**AZIZUDDIN BH AidANI**  
Secretary



**IBRAHIM KHANMOHAMED**  
Treasurer



**AKBER ALI KHOJA**  
Chairman-Credit Committee



**MINHAS VELLANI**  
Chairman-Supervisory Committee



**MALIK BARRISTER**  
Chairman-Dallas Mgmt Committee



**MANSOOR A TEJANY**  
CEO

# Table of Contents

<b><u>HEADINGS</u></b>	<b><u>PAGE</u></b>
Contents	1
Chairman's Report	2
Supervisory Committee Report	4
Credit Committee Report	5
Statement of Financial Position	6
Statement of Operations	7
Consolidated Statement of Equity & Key Ratios	8
Bar Charts	9



# Chairman's Report 2003

On behalf of the Directors of the Nizari Progressive Federal Credit Union, I am pleased to welcome you today to the 14<sup>th</sup> Annual General Meeting. This was a historic year for Nizari Credit Union and its members. To reflect on our achievements, I would like to present to you the highlights of the Annual Report for the year ending December 31, 2003.

## **FINANCIAL STRENGTH**

Let me summarize in one sentence that the financial condition of Nizari is strong and solvent as ever. In the category of the return on average assets, we were once again ranked number 1 out of 10,006 federal credit unions nationwide. This year our ROA went up from 5.22% (as of last year) to 5.64% as borne out by the annexed report of the Treasurer.

Furthermore the following numbers speak for themselves:

Item	2002	2003	% Inc/Dec
Capital	3,253,390	4,440,704	36.5%
Shares	16,939,166	18,867,488	11.4%
Gross Income	2,220,012	2,456,837	10.7%
Assets	20,202,124	23,334,922	15.5%

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

Ratios	Nizari	Peer
Capital to Assets	19.0%	12.0%
Total Loans to Total Shares	111.5%	63.1%
Total Loans to Total Assets	90.1%	56.2%
Delinquent Loans to Loans	1.4%	1.5%
ROA	5.6%	0.9%
Operating Exp/Gross Income	16.5%	57.2%
Loan Growth	15.5%	3.1%

In 2003, the Board declared a 5.0% dividend to the members compared to less than 1% given by other credit unions. The year-end dividend was given on the cumulative balance that included six monthly dividends.

To increase the loans last year, the Board once again decided to lower the interest rate on all personal loans from 11.9% to 9.9%. This enabled us to keep our loan portfolio higher in 2003 compared to 2002 in spite of a sluggish economy.

## **ACCOMPLISHMENTS TO BE NOTED**

I am glad to inform the members that as of December 2003, our capital to assets ratio has increased from 17% (as of last year) to 19.0%.

Members will be happy to learn that in spite of a higher rate of dividend, our solvency evaluation has gone up from \$119.20 (as of last year) to \$123.50.



In addition to other achievements, because of our high performance and excellent capitalized funds, we have been exempted from annual examination by NCUA. As per the last annual examination done by the NCUA examiner, I am proud to say that we were once again awarded a came2code of "1" (1 being the best).

Keeping in pace with the latest technology, Nizari has converted to a new Credit Union software by CUSA Technologies. Apart from being able to connect our branches in Dallas, Austin, Los Angeles and Chicago through the server in Houston, it will also cater to our on-line and internet banking needs.

It gives me great pleasure to mention here that Nizari has started the process of conversion from a credit union to a mutual thrift. We have retained the services of R.P. Financials, an expert in credit union conversions, to assist in converting Nizari into a successful mutual thrift.

### **NEW PRODUCTS AND SERVICES**

- Nizari has recently introduced a college savings plan in association with AKEB and AKEPB. This plan was introduced at the end of last year and we have already received more than \$150,000.00 in college saving accounts.
- Last year a low rate Platinum MasterCard and Classis MasterCard was introduced for the benefit of the members. We urge the members take full advantage of this exclusive offer.
- The board of directors took a bold decision of introducing a "Member Business Loan". This is a new category of secured loans whereby members can borrow up to \$150,000.00 for the expansion or improvement of their businesses.
- By adopting new by laws, this year Nizari has used the services of American Arbitration Association for conducting its election. This new and innovative method of election via mail, telephone and internet gave all the members an equal and fair chance to participate in the election process.

### **OPENING OF NEW CENTERS**

To improve the services for our Austin members, we have opened a new office near Austin JK. We are also in the process of opening our office in San Antonio, which will be in the proximity of San Antonio JK. In the near future, Nizari will be offering its services to the Jamat in the New York area.

### **THANKS AND APPRECIATION**

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

I would also like to thank our staff for their devotion, hard work and sincerity.

Last but not the least, we are grateful to the members for their support and co-operation. We are thankful to all the institutions and individuals who have offered us their advice and assistance from time to time.

Thank you

MALIK WALIANY  
Chairman



# Supervisory Committee Report 2003

I am pleased to report that the National Credit Union Administration has exempted our credit union from annual examinations. The 12 months examination will now be conducted every 18 months as our Credit Union falls into the category of high performing credit union and has excellent capitalization of funds. The examination by the NCUA Examiner was conducted last year in the month of August 2003 for the period ending June 30, 2003.

This year we have once again 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. I am pleased to report that Mr. John Weaver has already audited and verified the following accounting records and his report of findings are satisfactory and there were no exceptions found according to his written report.

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 auditor, Nizari's financial records are maintained in accordance with the existing laws and regulations. The financial statements of the Credit Union represent a true and complete picture of its condition.

As per the requirements of the NCUA, this year the Supervisory Committee did the negative balance verification on all the members. The notices to this effect were sent to all the members with their December 31, 2003 statements. There were no discrepancies found in the verification process.

Thank you,

Minhas R. Vellani  
Chairman



# Credit Committee Report 2003

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 2003.

During the year 2003 the total number of loan applications approved were 553 as compared to 569 during last year. Each application was processed according to the existing laws, regulations and loan policies established by the Board. Keeping in mind the economic situation and the safety and soundness principle, this year the Committee decided to get more information on the guarantors. Due to a sluggish economy the aggregate amount of loan granted during the year was \$ 11,400,000 as compared to last year which was \$ 11,000,000, a small increase of 4% only.

The Committee appreciates the co-operative spirit of the borrowers in providing 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 to the Board of Directors from time to time 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 2003 a successful year.

Thank you.

A handwritten signature in black ink, which appears to read "Akber Ali Khoja". The signature is written in a cursive, flowing style.

Akber Ali Khoja  
Chairman



# Statement of Financial Position

For the Years Ended December 31, 2003 and 2002

<u>ASSETS</u>	<u>2003</u>	<u>%</u>	<u>2002</u>	<u>%</u>	<u>VARIANCE</u>
Loans to Members	\$20,869,083	89.43	\$18,213,575	90.16	\$2,655,508
MasterCard Loans	164,072	0.70	0	0.00	159,676
Less: Allowance for Loan Loss	168,755	0.72	159,704	0.79	9,051
<b>Total Loans</b>	<b>20,864,400</b>	<b>89.41</b>	<b>18,053,871</b>	<b>89.37</b>	<b>2,810,529</b>
Cash at Bank	\$122,619	0.53	240,682	1.19	(118,063)
Investments	1,875,221	8.04	1,708,021	8.45	167,200
N.C.U.S.I.F. Deposit	167,631	0.72	141,552	0.70	26,079
Rent & Utility Deposits	6,870	0.03	5,875	0.03	995
Computer Upgrade Deposit	0	0.00	12,000	0.06	(12,000)
<b>Total Deposits</b>	<b>174,501</b>	<b>0.75</b>	<b>159,427</b>	<b>0.79</b>	<b>15,074</b>
Prepaid Rent	1,565	0.01	1,565	0.01	0
Prepaid Share Insurance	5,499	0.02	4,396	0.02	1,103
<b>Total Prep. &amp; Def. Expenses</b>	<b>7,064</b>	<b>0.03</b>	<b>5,961</b>	<b>0.03</b>	<b>1,103</b>
Furniture, Fixtures, Leasehold Impr & Equip	155,265	0.67	88,449	0.44	66,816
Less: Acc. Depreciation & Amortization	76,783	0.33	54,287	0.27	22,496
<b>Net Fixed Assets</b>	<b>78,482</b>	<b>0.34</b>	<b>34,162</b>	<b>0.17</b>	<b>44,320</b>
Accrued Interest on Loans	212,636	0.90	0	0.00	212,636
<b>Total Assets</b>	<b>\$23,334,923</b>	<b>100.00</b>	<b>\$20,202,124</b>	<b>100.00</b>	<b>\$2,920,163</b>
<u>LIABILITIES &amp; EQUITY</u>					
Payroll Taxes	\$2,213	0.01	\$579	0.00	\$1,634
Accrued AGM Expenses	24,485	0.10	8,991	0.04	15,494
Other Liabilities	32	0.00	0	0.00	32
<b>Total Payables</b>	<b>26,730</b>	<b>0.11</b>	<b>9,570</b>	<b>0.04</b>	<b>17,160</b>
Members' Shares	18,581,745	79.63	16,843,987	83.38	1,737,758
I.R.A. Shares	277,890	1.19	93,222	0.46	184,668
I.R.A. Roll Over Shares	7,854	0.02	1,956	0.01	5,898
<b>Total Shares</b>	<b>18,867,489</b>	<b>80.84</b>	<b>16,939,165</b>	<b>83.85</b>	<b>1,928,324</b>
Regular Reserve	800,000	3.43	700,000	3.46	100,000
Reserve for Contingencies	2,000,000	8.57	1,500,000	7.42	500,000
Provision for EDP Upgrade	0	0.00	130,000	0.64	(130,000)
Provision for Building	500,000	2.14	100,000	0.49	400,000
Donated Equity	2,900	0.02	2,900	0.01	0
Undivided Earnings	1,137,804	4.88	820,489	4.06	317,315
<b>Total Equity</b>	<b>4,440,704</b>	<b>19.05</b>	<b>3,253,389</b>	<b>16.11</b>	<b>1,187,315</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$23,334,923</b>	<b>100.00</b>	<b>\$20,202,124</b>	<b>100.00</b>	<b>\$3,132,799</b>



# Statement of Operations

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>%</u>	<u>2002</u>	<u>%</u>	<u>VARIANCE</u>
<b>Operating Income:</b>					
Interest on Loans	\$2,419,283	94.56	\$2,107,294	94.92	\$311,989
Interest income from MasterCard	\$5,186	0.20	\$0	0.00	5,186
Income from Investments	32,368	1.27	24,642	1.11	7,726
Credit Union - Fees & Charges	101,496	3.97	88,077	3.97	13,419
<b>Total Operating Income</b>	<u>2,558,333</u>	<u>100.00</u>	<u>2,220,013</u>	<u>100.00</u>	<u>338,320</u>
<b>Operating Expenses:</b>					
Office Salaries	181,531	7.10	161,131	7.26	20,400
Payroll Taxes	15,962	0.62	13,254	0.60	2,708
Travel & Conference	8,776	0.34	4,474	0.20	4,302
Office Occupancy	59,286	2.32	46,461	2.09	12,825
Utilities & Phone	9,300	0.36	12,730	0.57	(3,430)
Insurance	7,821	0.31	6,310	0.28	1,511
Depreciation	14,943	0.58	12,045	0.54	2,898
Loan Servicing	142	0.01	375	0.02	(233)
Credit Reports	2,828	0.11	2,529	0.11	299
Professional Fees	3,075	0.12	2,363	0.11	712
Prtg, Stationery,Supplies & Postage	16,838	0.66	6,071	0.27	10,767
Audit Fees	2,650	0.10	2,650	0.12	0
TCUL Membership Fees	6,982	0.27	6,421	0.29	561
Provision for Loan Losses	50,000	1.95	15,000	0.68	35,000
Office Operation Expenses	717	0.03	335	0.02	382
Advertising & Promotions	13,714	0.54	7,643	0.34	6,071
Accounting Services	1,600	0.06	589	0.03	1,011
NCUA Operating Fees	4,615	0.18	3,950	0.18	665
Donation	19,500	0.76	15,000	0.68	4,500
IT/SW/ISP Cost & Support	3,633	0.14	0	0.00	3,633
Annual Meeting Expenses	44,764	1.75	17,373	0.78	27,391
Maintenance & Repairs	1,785	0.07	1,925	0.09	(140)
Miscellaneous Expenses	1,927	0.08	1,484	0.07	443
<b>Total Operating Expenses</b>	<u>472,389</u>	<u>18.46</u>	<u>340,113</u>	<u>15.32</u>	<u>132,276</u>
<b>Income from Operation</b>	<u>2,085,944</u>	<u>81.54</u>	<u>1,879,900</u>	<u>84.68</u>	<u>206,044</u>
<b>Annual Dividends to Members</b>	898,629	35.13	918,914	41.39	(20,285)
<b>Net Income</b>	<u>\$1,187,315</u>	<u>46.41</u>	<u>\$960,986</u>	<u>43.29</u>	<u>\$226,329</u>



# Consolidated Statement of Equity

For the years ended December 31, 2003 and 2002

	Regular Reserve (A)	Reserve for Contingencies (B)	Other Provisions (C)	Undivided Earnings (D)	Equity (Net Worth) (A+B+C+D)
<b>Balance at December 31, 2001</b>	\$600,000	\$1,000,000	\$132,900	\$559,044	\$2,291,944
<b>Account activities during 2002:</b>					
Transfer of 2002 Current Income	-	500,000	100,000	261,445	861,445
<b>Other comprehensive income:</b>					
Gain (Loss) on Asset Disposal	-	-	-	-	-
Statutory transfer to Regular Reserve	100,000	-	-	-	100,000
<b>Balance at December 31, 2002</b>	\$700,000	\$1,500,000	\$232,900	\$820,489	\$3,253,389
<b>Account activities during 2003:</b>					
Transfer of 2003 Current Income	-	500,000	400,000	317,315	1,217,315
Transfer to EDP Purchase	-	-	(130,000)	-	(130,000)
<b>Other comprehensive income:</b>					
Gain (Loss) on Asset Disposal	-	-	-	-	-
Statutory transfer to Regular Reserve	100,000	-	-	-	100,000
<b>Balance at December 31, 2003</b>	\$800,000	\$2,000,000	\$502,900	\$1,137,804	\$4,440,704

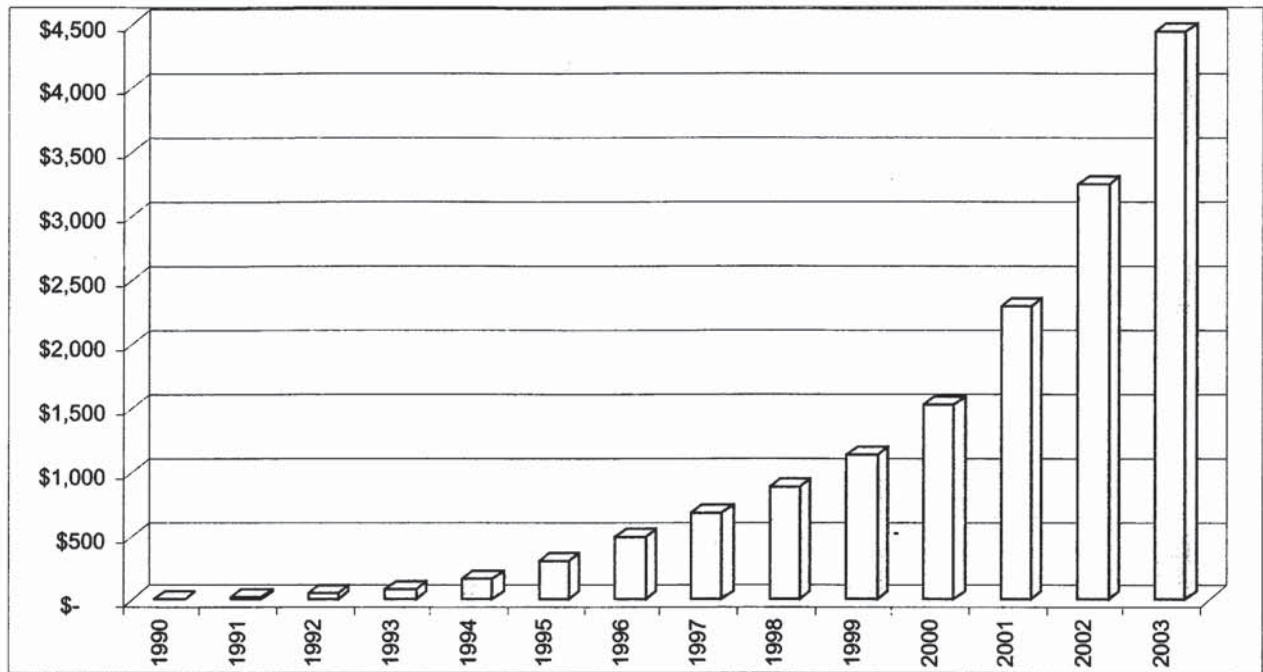
## Key Financial Ratios

For the Year	2000 %	2001 %	2002 %	2003 %	PEER AVGS. %
Net Worth/Total Assets	12.90	13.50	17.00	19.00	12.28
Delinquent Loans/Total Loans	1.30	0.80	1.00	1.40	1.50
Liquidity Ratio	95.50	91.80	92.10	92.20	77.50
Return on Avg. Assets	3.91	6.09	5.22	5.64	0.66
Gross Income/Avg. Assets	9.54	10.31	10.48	10.45	6.20
Cost of Funds/Avg. Assets	6.73	5.61	5.82	5.02	1.45
Operating Exps./Avg. Assets	1.50	1.10	1.20	1.40	3.79
Asset Yield	11.49	12.21	11.40	11.20	5.09
Operating Exps./Gross Income	18.78	15.11	15.24	17.18	57.20
Total Loans/Total Shares	107.60	104.60	107.50	111.50	65.86
Total Loans/Total Assets	93.60	90.10	90.10	90.10	57.30
Net Worth Growth	15.65	22.33	19.12	15.02	6.40
Market (Share) Growth	63.30	43.00	16.20	11.40	6.83
Loan Growth	42.60	36.70	32.80	21.50	2.67
Asset Growth	58.80	44.50	20.00	15.50	6.84
Investment Growth	-11.08	168.90	17.30	2.50	14.46

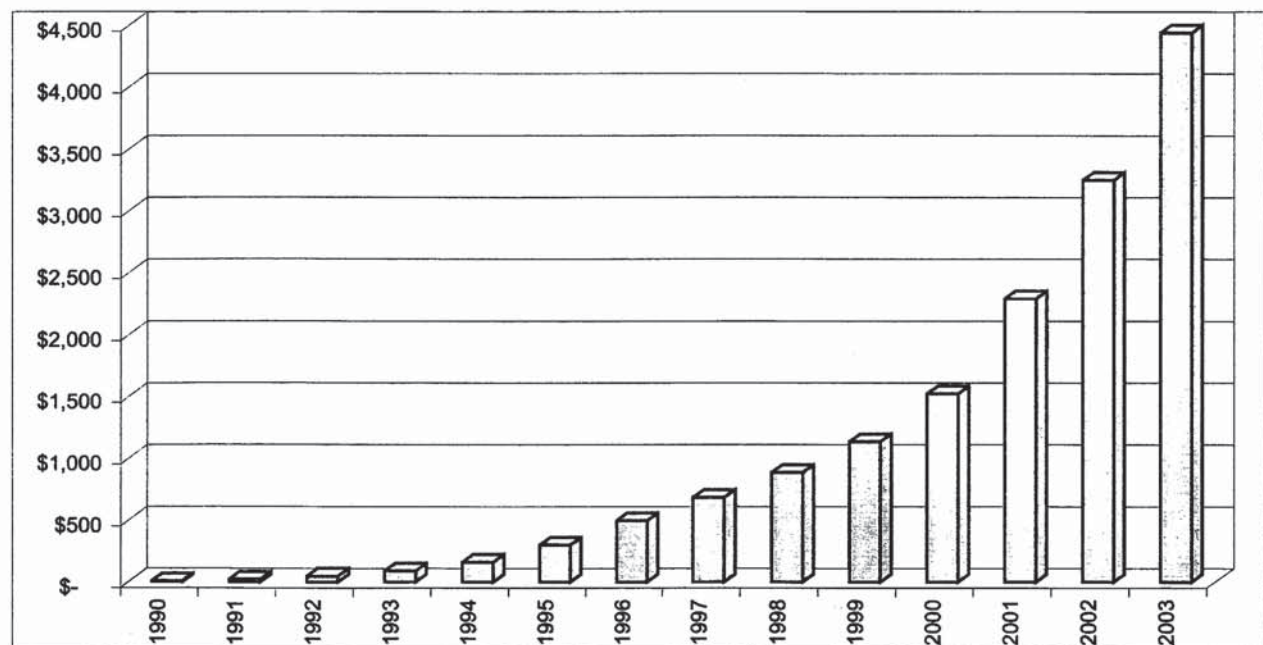


# Bar Charts

## MEMBERSHIP:

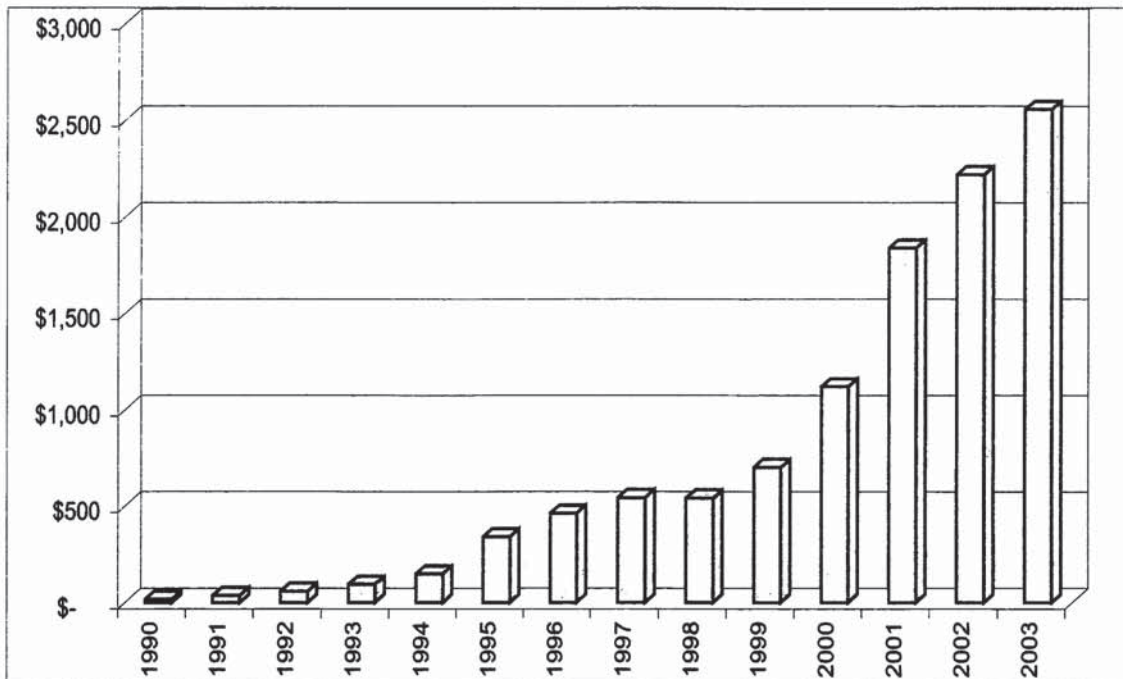


## CAPITAL (\$000'S):

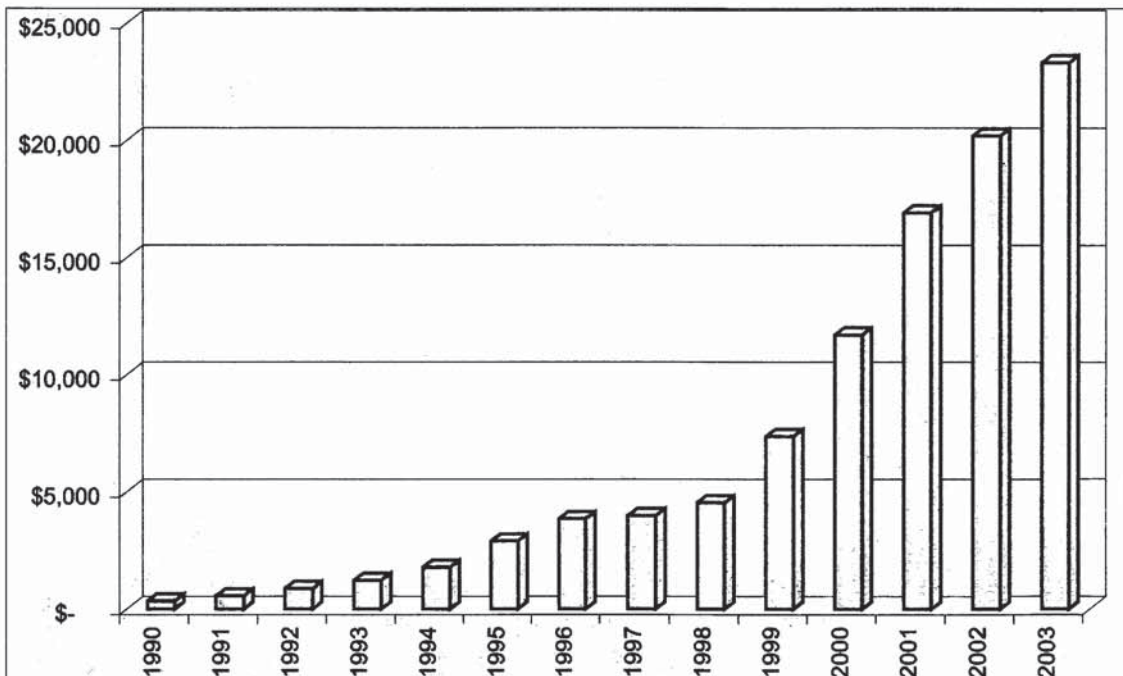




**INCOME (\$000'S):**

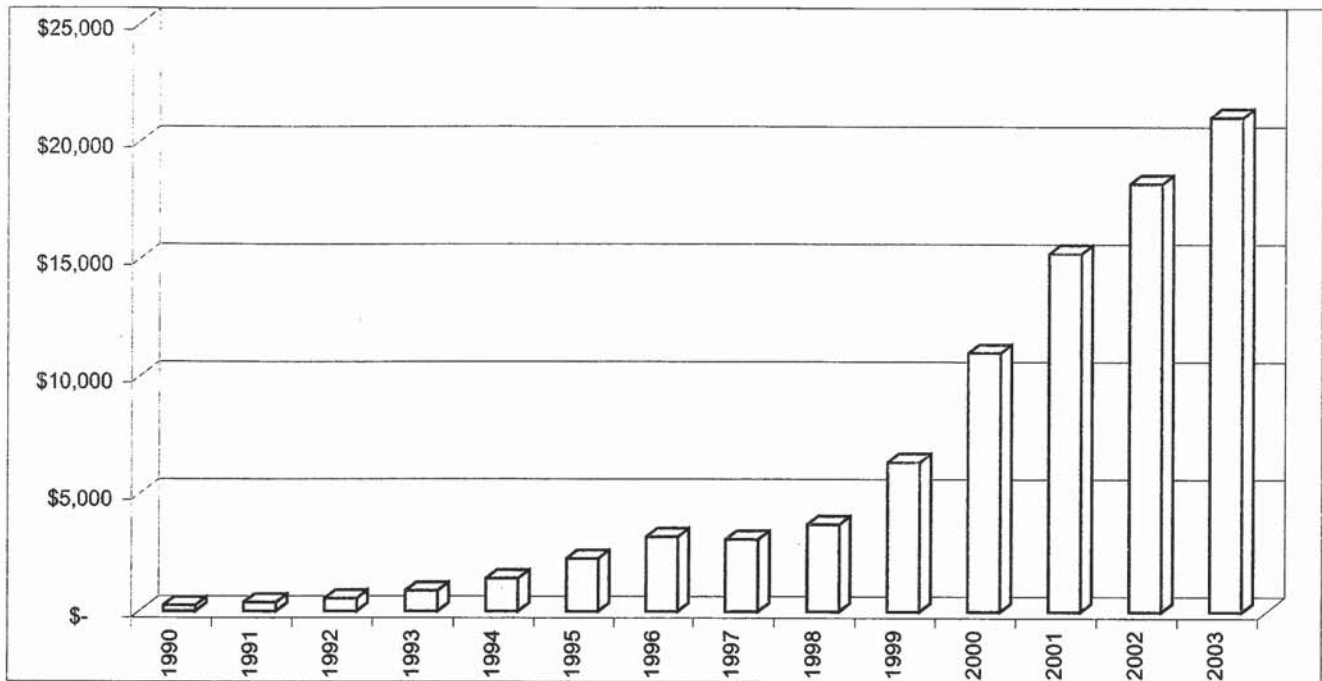


**ASSETS (\$000'S):**

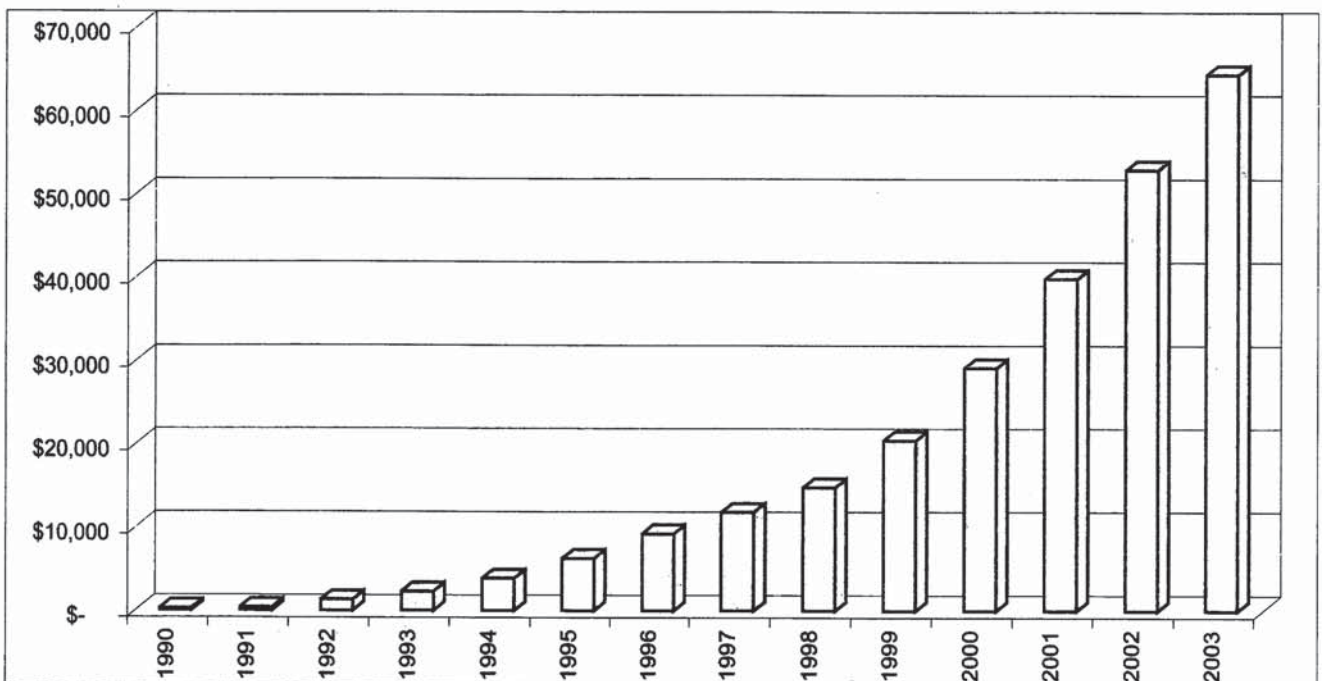




### LOANS OUTSTANDING (\$000'S):



### LOAN GROWTH (\$000'S):



# Office and Branch Information

## **HEAD OFFICE-HOUSTON**

11111 BROOKLET DRIVE, SUITE 111  
HOUSTON, TEXAS 77099  
TEL: 281-495-2826  
FAX: 281-495-6808  
TOLL: 1-888-786-1824  
E-MAIL: NIZARIPFCU@AOL.COM

## **DALLAS OFFICE**

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

## **CHICAGO OFFICE**

6409 N.SHERIDAN  
CHICAGO, IL 60626  
TEL:773-973-7596  
FAX:773-973-7596

## **LOS ANGELES OFFICE**

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

## **AUSTIN OFFICE:**

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

## **SAN ANTONIO-CONTACT:**

SADRUDDIN ALI-CHAIRMAN, SAN ANTONIO MGMT COMMITTEE  
TEL:210-732-2462



11111 Brooklet Drive, Suite 111  
Houston, Texas 77099  
(281) 495-2826  
[www.nizari.org](http://www.nizari.org)