

**2005 Annual Report**  
**Nizari Progressive**  
**Federal Credit Union**



# THE BOARD OF DIRECTORS



Malik Waliany  
Chairman



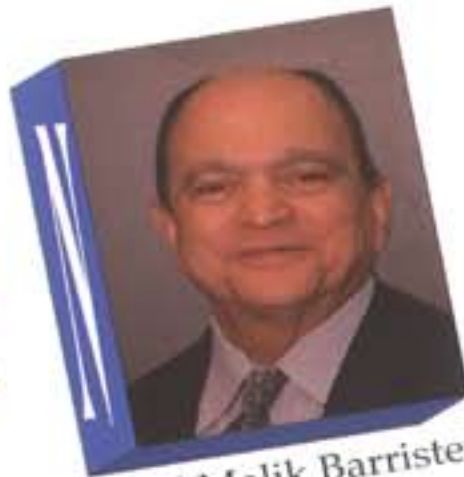
Aziz Bhaidani  
Vice Chairman



Minhas Vellani  
Secretary



Irfan Abji  
Treasurer



Abdul Malik Barrister  
Director



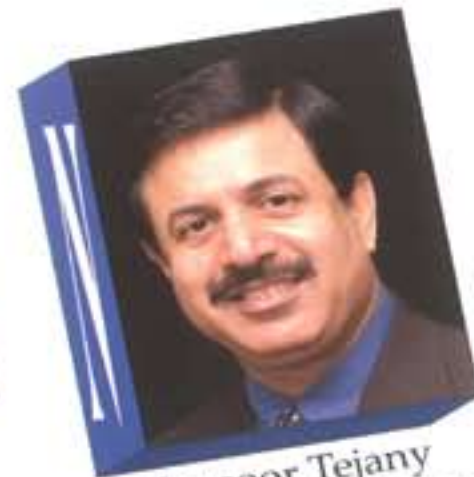
Ashraf Ali  
Director



Siraj Popatia  
Director



Amirali Narsi  
Director



Mansoor Tejany  
Chief Executive Officer

# MISSION STATEMENT

The mission of the 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.



Full Time Staff at the Houston Headquarters Office

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# A LETTER FROM THE CHAIRMAN

## Fellow Shareholders:

The past year was another year of accomplishments for Nizari Progressive Federal Credit Union — again a record achieving performance in our Credit Union's history. Capital increased by almost 20% to a record of close to \$7 million. Return on Assets was reported at 4.1%, the highest percentage reported within 10,000 federal credit unions in the United States **making us #1 in the nation.**

Although we cannot control the business environment in which we operate we are fully responsible for how well we identify and capitalize on the opportunities potentially available to us. Our ability to do this depends on the long-term strength of our institution. This strength is rooted in deep member relationships, market knowledge, risk management expertise and taking positions to assist in the important financial decisions that affect our member's economic viability. We feel proud that we are able to assist with the broader network of institutions in providing affordable assistance to the jamat.

2005 was a year where interest rates increased at a dramatic pace. Our ability to navigate through this issue and effectively manage has resulted in us being able to offer one of the highest dividends by any Credit Union.

## Financial Strength:

Financial environments are not a matter of our control, but it has always been our emphasis to excel in all environments. This year has again given us the opportunity of being able to do better than our peers. The following charts speak for themselves:

### Financial Highlights

Item	2004	2005	%
Capital	\$5,680,012	\$6,746,923	18.8
Shares	19,924,156	20,969,265	5.2
O/S Loans	23,404,168	24,566,812	5.0
Assets	25,622,355	27,741,546	8.3

### Financial Ratios Compared to Peer Group Leaders

Ratios	Nizari	Peer
Capital to Assets	24.31	13.32
Total Loans to Total Shares	117.35	69.77
Total Loans to Total Assets	88.70	59.67
Delinquent Loans to Loans	1.73	1.31
ROA	4.08	0.63
Operating Exp/Gross Income	19.45	62.15
Share Growth	5.25	(0.27)
Solvency Evaluation	132.18	115.88

## Expansion:

In order to serve additional jamat and to increase our membership Nizari in 2005 expanded to the North East Region. Our office in New York, located in a building across from the Rego Park Jamati Center was established and a new membership drive increased our membership to a total of close to 8,000.

## Rita and Katrina:

The past year was challenging for those who lived in the Southwest. Rita and Katrina ripped through Texas and Louisiana leaving nothing but devastation. During these challenging times Nizari stood by its members who were affected and was able to assist by proving emergency financial assistance. This challenge was also true for Nizari itself as our headquarters is located in one of the areas that were of potential threat. Emergency preparedness, data security and employee safety were important factors in determining the progression of the Credit Union operations. We are happy to inform the membership that operations was maintained and the headquarters was operational in less than 2 days after closure.

## Share Drafts (Checking Accounts):

One of the many focuses of the Board of Directors is developing additional financial products that assist members while maintaining a level of superior service that is not available outside of Nizari. The Share drafts (personal checking accounts) were a product added this year. In order to make the product work for your benefit the Board of Directors have decided to pay interest on all deposits maintained in these accounts making the money that you use in the ordinary course of everyday life work for you.

## Loan Policy:

In order to ease loan approval and increase loan demand the Board of Directors with the assistance of the Credit Committee approved a new loan policy. The loan policy that has since been relaxed even more includes loans with higher limits requiring no guarantees, as well as interest rates that are based on the prime rate. In some cases the Board has felt that the pricing of certain loans should be more affordable and decreased the loan rates to levels below the prime rate. This bold initiative should meet the needs of the membership and should increase loan demand.

## Thanks and Appreciation

On behalf of the Board of Directors, I would like to send a heartfelt thanks to all of the various committee members; the management committees of Austin, San Antonio, Dallas, Midwest, Western and Northeast Regions; and to an enumerable number of volunteers for their excellent job and dedication this year. Our sincere appreciation goes out to the members of staff for their devotion, hard work and sincerity. We cannot stress how grateful we are to the various jamati institutions for their advice and assistance offered from time to time.

Lastly, the general membership has bestowed upon us yet again another year full of support and cooperation. To this we are very grateful. We hope that the coming year will also be blessed with your commitment and consistent cooperation.

It is because of the assistance of all of you that we can look towards the future with tremendous pride and optimism.

Sincerely,



**Malik Waliany**  
**Chairman of the Board**  
**Nizari Progressive Federal Credit Union**





# SUPERVISORY COMMITTEE REPORT 2005

I am pleased to report that the National Credit Union Administration has exempted our credit union from annual examinations. The twelve (12) months examination will now be conducted every eighteen (18) months as our Credit Union falls into the category of high performing credit union and has excellent capitalization of funds. The next examination by NCUA Examiner will be conducted during the month of August 2006.

This year we have also retained one more time the services of A. John Weaver and Associates, an outside independent auditor, to do a detailed and comprehensive audit of our credit union and account verifications for the year ended December 31, 2005. I am pleased to report that Mr. 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  
Members' closed Accounts  
Members' Shares and Loan Accounts  
Trial Balance and Balance Sheet

Bank Reconciliation  
Fixed Assets  
Loan Documentation  
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 true and complete picture of its condition.

Also as per the guidelines of NCUA, this year the Supervisory Committee Chairman along with its member Mr. Baqir Ali did the preliminary audit of the books and conducted the sample verifications of loan and saving balances of the members as of December 31, 2005. There were no discrepancies found in the verification process.

In conclusion, the findings of supervisory committee has been that your deposits are very well safe guarded and loans which are being made with your money are sound and secured.

**Thank you,**

**Siraj Popatia**  
**Chairman, Supervisory Committee**  
**Nizari Progressive Federal Credit Union**

# CREDIT COMMITTEE REPORT 2005



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 2005.

During the year the total number of loan applications approved was four hundred and eighty four (484). Each application was processed according to the existing laws, regulations and loan policy established by the Board. Keeping in mind the economic situation and principle of safety and soundness, this year also the Committee decided to get more information about the guarantors. In spite of the sluggish economy the aggregate amount of loan granted during the year was ten million seven hundred and seventy one thousand dollars (\$10,771,000) that is an average of nine hundred thousand dollars (\$900,000) a month.

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 2005 a successful year.

**Thank you,**

A handwritten signature in dark ink, appearing to read 'Amirali Narsi', written over a horizontal line.

**Amirali Narsi**  
**Chairman, Credit Committee**  
**Nizari Progressive Federal Credit Union**



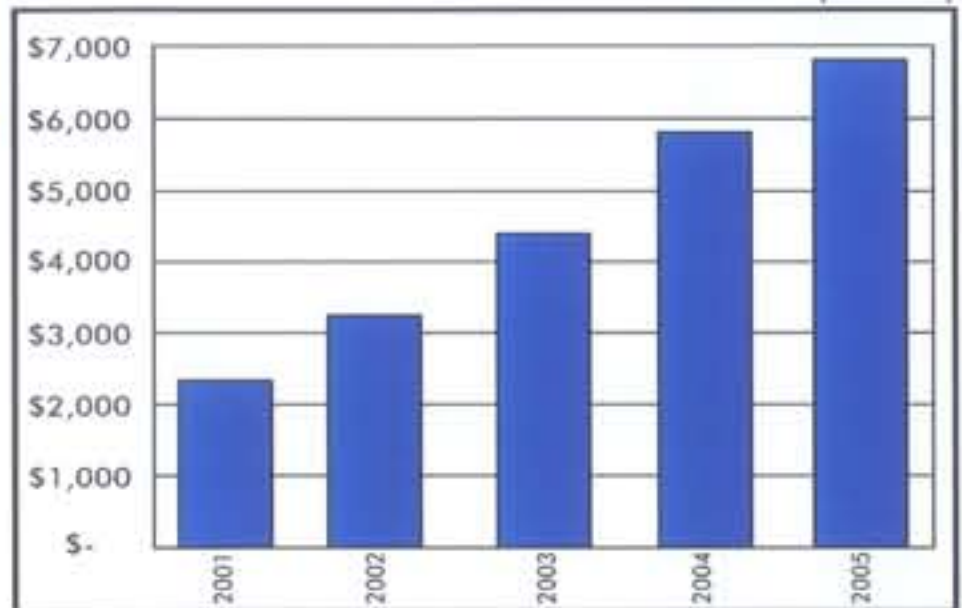
# STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

ASSETS	2005	%	2004
Loans to Members	\$22,163,366	79.89	\$22,829,488
MasterCard Loans	315,877	1.14	292,722
Member Business Secured Loans	1,437,481	5.18	294,882
Unsecured Member Business Loans	690,441	2.49	100,000
Less: Allowance for Loan Loss	(40,353)	(0.15)	(112,924)
Total Loans	24,566,812	88.55	23,404,168
Cash at Bank	122,134	0.44	162,651
Investments	2,524,727	9.10	1,512,414
N.C.U.S.I.F. Deposit	194,813	0.70	184,915
Rent & Utility Deposits	10,645	0.04	8,280
Total Deposits	205,458	0.74	193,196
Prepays	5,341	0.02	1,565
Prepaid Share Insurance	6,531	0.02	6,194
Total Prep. & Def. Expenses	11,872	0.04	7,759
Furniture, Fixtures, Leasehold Impr & Equip	176,798	0.64	168,906
Less: Acc. Depreciation & Amortization	133,304	0.48	105,741
Net Fixed Assets	43,494	0.16	63,165
Accrued Interest on Loans	267,049	0.97	279,001
Total Assets	\$27,741,546	100.00	\$25,622,355
<b>LIABILITIES &amp; EQUITY</b>			
Payroll Taxes	\$2,511	\$0.01	\$1,490
Accrued AGM Expenses	22,847	0.08	22,831
Other Liabilities	-	-	(6,134)
Total Payables	25,358	0.09	18,187
Members' Shares	20,551,304	74.09	19,562,369
I.R.A. Shares	386,108	1.39	346,372
I.R.A. Roll Over Shares	31,853	0.11	15,415
Total Shares	20,969,265	75.59	19,924,156
Regular Reserve	1,000,000	3.60	900,000
Reserve for Contingencies	2,900,000	10.45	2,500,000
Provision for Building	1,000,000	3.60	700,000
Donated Equity	2,900	0.02	2,900
Undivided Earnings	1,844,023	6.65	1,577,112
Total Equity	6,746,923	24.32	5,680,012
Total Liabilities & Equity	\$27,741,546	100.00	\$25,622,355

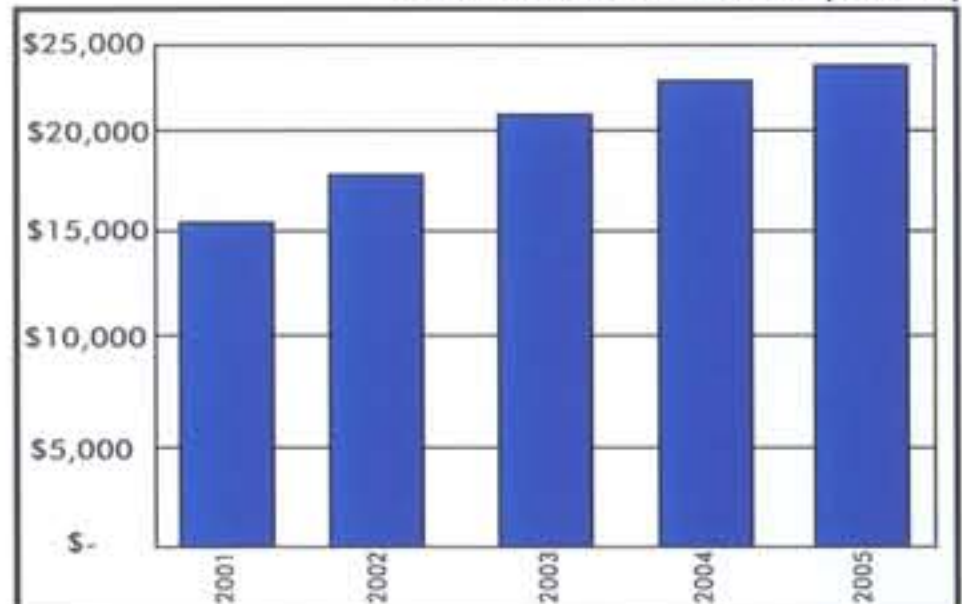


## CAPITAL (\$000's)



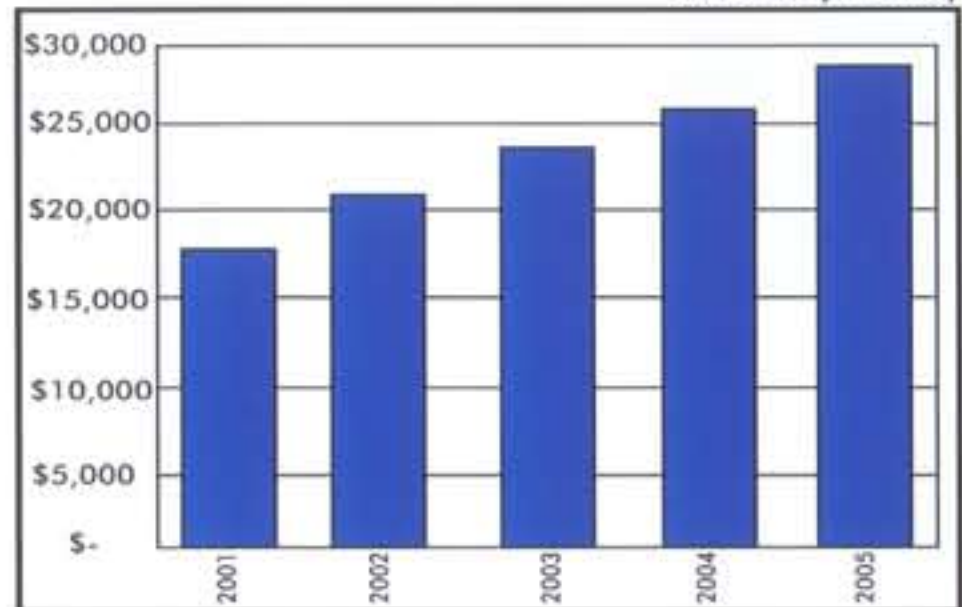
<u>%</u>	<u>VARIANCE</u>
89.10	(\$666,122)
1.14	23,155
1.15	1,142,599
0.39	590,441
(0.44)	72,571
<u>91.34</u>	<u>1,162,644</u>
<u>0.63</u>	<u>(40,517)</u>
<u>5.90</u>	<u>1,012,313</u>
0.72	9,898
0.03	2,365
0.75	12,262
0.01	3776
0.02	337
0.03	4,113
0.66	7,892
0.41	27,563
0.25	(19,671)
1.10	(11,952)
<u>100.00</u>	<u>\$2,119,191</u>

## OUTSTANDING LOANS (\$000's)



\$0.01	\$1,021
0.09	16
(0.02)	6,134
0.10	7,171
76.35	988,935
1.35	39,736
0.02	16,439
<u>77.72</u>	<u>1,045,109</u>
3.51	100,000
9.76	400,000
2.73	300,000
0.02	0
6.16	266,911
<u>22.18</u>	<u>1,066,911</u>
<u>100.00</u>	<u>\$2,119,191</u>

## ASSETS (\$000's)



# STATEMENT OF OPERATIONS

## FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>%</u>	<u>2004</u>
Operating Income:			
Interest on Loans	\$2,352,619	92.03	\$2,374,605
Interest income from MasterCard	34,662	1.36	32,279
Income from Investments	49,152	1.92	29,841
Credit Union - Fees & Charges	119,810	4.69	120,767
Other Income	0	0.00	1,000
Total Operating Income	<u>2,556,243</u>	<u>100.00</u>	<u>2,558,492</u>
Operating Expenses:			
Office Salaries	225,580	8.82	218,981
Payroll Taxes	19,642	0.77	19,788
Travel & Conference	8,500	0.33	5,512
Office Occupancy	69,656	2.72	68,400
Utilities & Phone	23,846	0.93	14,806
Insurance	9,457	0.37	8,760
Depreciation	24,426	0.96	25,447
Loan Servicing	2,405	0.09	370
Credit Reports	3,534	0.14	3,909
Professional Fees	950	0.04	5,116
Prtg, Stationery, Supplies & Postage	17,209	0.67	16,624
Audit Fees	3,000	0.12	2,950
TCUL Membership Fees	8,859	0.35	8,343
Provision for Loan Losses	24,000	0.94	0
Office Operation Expenses	7,670	0.30	3,363
Advertising & Promotions	13,882	0.54	6,570
Accounting Services	3,441	0.13	4,815
NCUA Operating Fees	3,292	0.13	4,967
Donation	2,500	0.10	20,000
IT/SW/ISP Cost & Support	17,839	0.70	6,043
Annual Meeting Expenses	26,713	1.05	29,697
Maintenance & Repairs	2,337	0.09	1,820
Miscellaneous Expenses	2,352	0.09	1,787
Total Operating Expenses	<u>521,090</u>	<u>20.38</u>	<u>478,068</u>
Income from Operation	<u>2,035,153</u>	<u>79.62</u>	<u>2,080,424</u>
Annual Dividends to Members	968,241	37.88	841,116
Net Income	<u>\$1,066,912</u>	<u>41.74</u>	<u>\$1,239,308</u>



<u>%</u>	<u>VARIANCE</u>
92.81	(\$21,986)
1.26	2,383
1.17	19,311
4.72	(957)
0.04	(1,000)
<u>100.00</u>	<u>(2,249)</u>

8.56	6,599
0.77	(146)
0.22	2,988
2.67	1,256
0.58	9,040
0.34	697
0.99	(1,021)
0.01	2,035
0.15	(375)
0.20	(4,166)
0.65	585
0.12	50
0.33	516
0.00	24,000
0.13	4,307
0.26	7,312
0.19	(1,374)
0.19	(1,675)
0.78	(17,500)
0.24	11,796
1.16	(2,984)
0.07	517
0.07	565

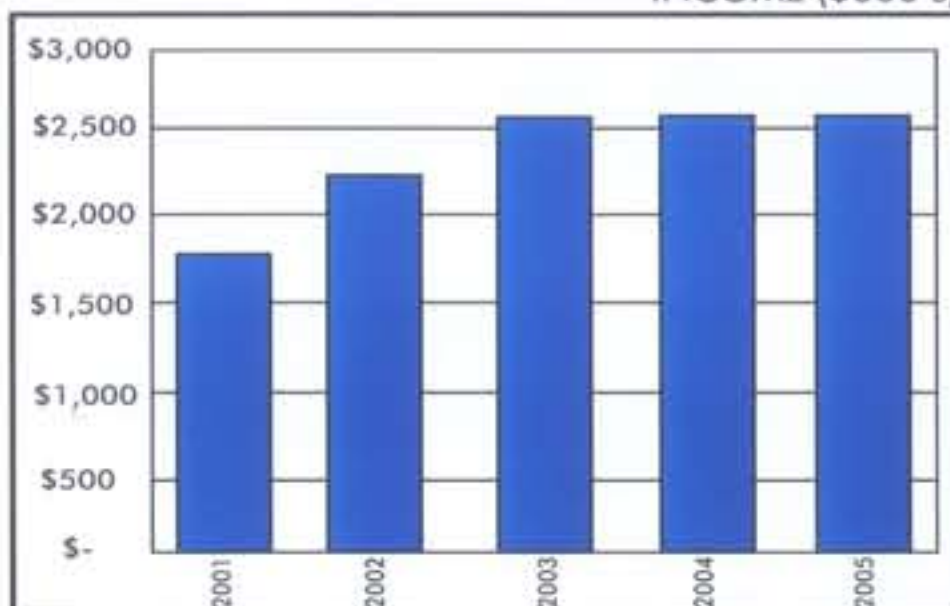
<u>18.69</u>	<u>43,022</u>
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<u>81.31</u>	<u>(45,271)</u>
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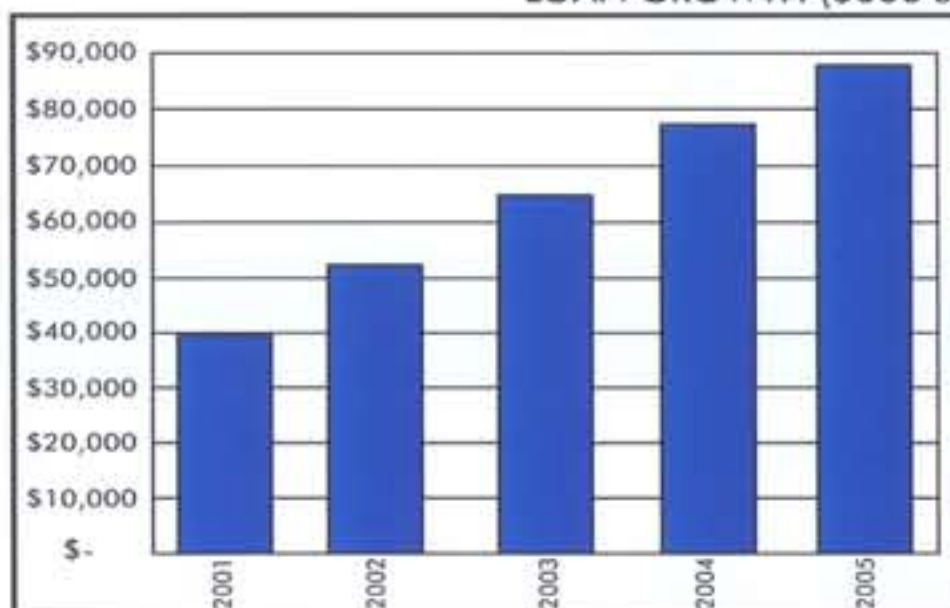
32.88	(127,125)
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<u>48.44</u>	<u>(\$172,396)</u>
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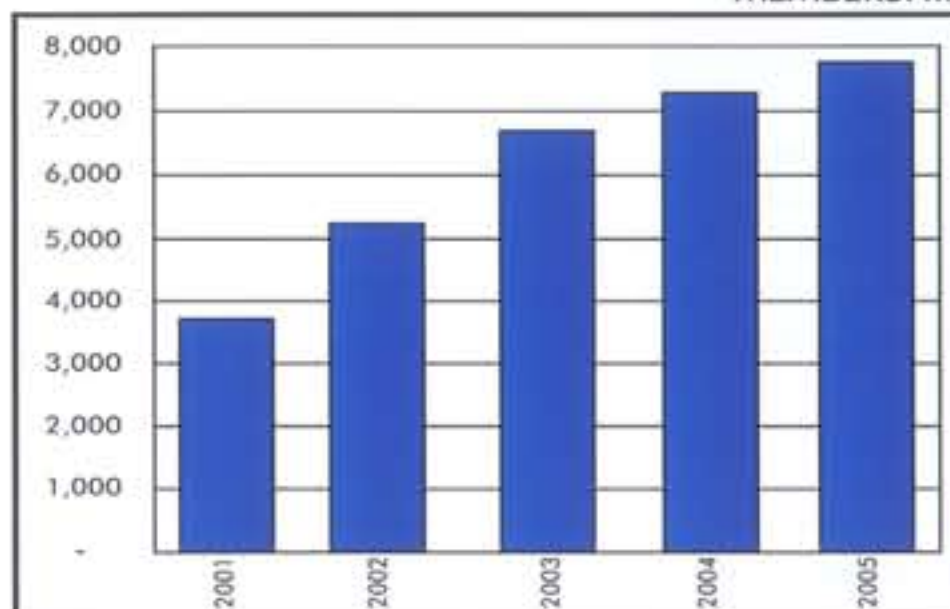
INCOME (\$000's)



LOAN GROWTH (\$000's)



MEMBERSHIP



## CONSOLIDATED STATEMENT OF EQUITY FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

	Regular Reserve (A)	Reserve for Contingencies (B)	Other Provisions (C)	Undivided Earnings (D)	Equity (Net Worth) (A+B+C+D)
Balance at December 31, 2003	\$800,000	\$2,000,000	\$502,900	\$1,137,804	\$4,440,704
Account activities during 2004:					
Transfer of 2004 Current Income	-	500,000	-	439,308	939,308
Transfer to Building Purchase	-	-	200,000	-	200,000
Statutory transfer to Regular Reserve	100,000	-	-	-	100,000
Balance at December 31, 2004	\$900,000	\$2,500,000	\$702,900	\$1,577,112	\$5,680,012
Account activities during 2005:					
Transfer of 2005 Current Income	-	400,000	-	266,911	666,911
Transfer to Building Purchase	-	-	300,000	-	300,000
Statutory transfer to Regular Reserve	100,000	-	-	-	100,000
Balance at December 31, 2005	\$1,000,000	\$2,900,000	\$1,002,900	\$1,844,023	\$6,746,923

## KEY FINANCIAL RATIOS FOR THE YEARS 2002 TO 2005

For the Year	2002	2003	2004	2005	PEER AVGS.
	%	%	%	%	%
Net Worth/Total Assets	16.08	19.00	22.15	24.31	13.32
Delinquent Loans/Total Loans	1.05	1.40	1.88	1.73	1.31
Return on Avg. Assets	5.18	5.45	5.06	4.08	0.63
Solvency Evaluation	119.21	123.54	128.51	132.18	115.88
Gross Income/Avg. Assets	11.96	11.75	10.45	9.58	6.12
Cost of Funds/Avg. Assets	4.95	4.13	3.44	3.63	1.31
Operating Exps./Avg. Assets	1.75	1.94	1.95	1.86	3.86
Yield on Average Loans	12.60	12.36	10.81	9.92	6.83
Yield on Investments	1.36	1.64	1.62	2.27	3.04
Operating Exps./Gross Income	14.64	16.51	18.69	19.45	62.15
Total Loans/Total Shares	107.52	111.48	118.03	117.35	69.77
Total Loans/Total Assets	90.16	90.14	91.78	88.70	59.67
Net Worth Growth	42.00	36.53	27.93	18.79	5.84
Market (Share) Growth	16.26	11.38	5.60	5.25	-0.27
Loan Growth	19.50	15.48	11.81	4.64	6.63
Asset Growth	19.37	15.51	9.80	8.27	0.72
Investment Growth	17.30	2.52	-16.16	58.02	-5.27



# **NIZARI PROGRESSIVE FEDERAL CREDIT UNION**

## **PROPRIETARY PRODUCTS AND SERVICES**

### **DEPOSITS**

- Share Savings
- Share Drafts (Checking Accounts)
- IRA's
- College Savings Plan

### **SERVICES**

- ACH
- Online Banking
- Extended Hours

### **LOANS**

- Personal Loans
- Business Loans
- Share Secured Loans
- Equipment Loans
- Auto Loans
- Home Based Loans
- Emergency Loans
- ESS Loans
- Student Loans thru AKEB
- Maternity Loans
- Credit Cards

**Visit Us Online At:**  
**[www.nizari.org](http://www.nizari.org)**

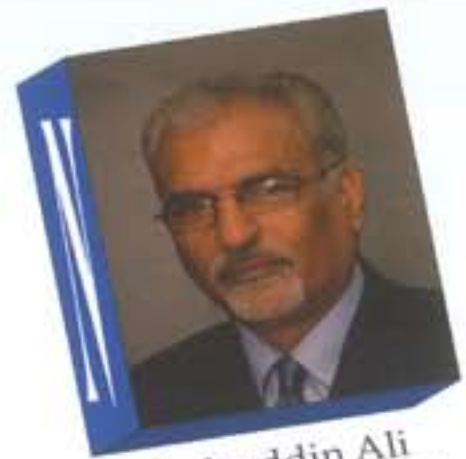
# MANAGEMENT COMMITTEE



Abdul Malik Barrister  
Chairman - Dallas



Ashraf Ali  
Chairman - Austin



Sadrudin Ali  
Chairman - San Antonio



Nadir Virani  
Chairman - Western Region



Zulfiqar Merchant  
Chairman - Midwest Region



Shiraz Sutar  
Chairman - Northeast Region

## ACHIEVEMENTS

***Deposits – December 2005 Dividend Declared 4.5% - Highest In The Nation***

**As Of December 2005 Nizari Had Once Again Achieved The  
Following Rankings Compared To Peer Group**

**Ranked #1** in the USA in the category of Return on Assets.

**Ranked** in the top 1% in the category of Total Loans/Total Shares.

**Ranked** in the top 1% in the category of Members/Full-time Employees.

**Ranked** in the top 1% in the category of Cost of Funds/Average Assets.

**Ranked** in the top 2% in the category of Yield on Average Loans.

**Ranked** in the top 3% in the category of Gross Income/Average Assets.

**Ranked** in the top 3% in the category of Total Loans/Total Assets.

**Ranked** in the top 3% in the category of Solvency Evaluation.



# 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  
WWW.NIZARI.ORG

## **DALLAS OFFICE**

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

## **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

## **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

## **NEW YORK OFFICE**

92-29 QUEENS BLVD #1C  
REGO PARK, NY 11374  
TEL: 718-606-9505  
FAX: 718-606-9505



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