



A tribute to our staff for their commitment to Nizari, it's mission and vision.



2008 Annual Report
Nizari Federal Credit Union

Board of Directors



Sadiq Dosani
Chairman



Akbar Mohamed
Vice Chairman



Dr. Faiza Khoja
Secretary



Abdul-Malik Barrister
Director of Operations



Abyn Kurjee
Director



Hussain Jawer
Supervisory Committee



Minhas Vellani
Director



Ashraf M. Ali
Director



Moez Dhuka
Credit Committee

Regional Chairs



Farid Kanji
Los Angeles



Anwer Hemani
San Antonio



Zulfiqar Merchant
Chicago



Suleman Virani
New York

Mission Statement

To provide for the financial well-being of our members (shareholders) through dedicated and unique combination of professional and personal service by competitive dividend yield, offering a complete set of competitive financial product and services, and building a one-on-one relationship with the membership community.

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Letter from the Chairman



To Our Valued Members,

We have all either observed or experienced many challenges around us as a result of the current recession and financial crisis. Nizari, for its part has not only withstood this unprecedented economic storm, but has simultaneously managed to achieve unprecedented annual Asset Growth of 52% and Loan Growth of 14%. The board declared quarterly dividends in 2008 averaged 3.85% APR. The dividends were competitive and above market when compared even to CD rates offered in the market.

Despite the current economic downturn, we are confident that Nizari is now strategically positioned to meet the “challenges” and seize the “opportunities”. The new Board’s commitment, since they took office in April 2008, has been to strengthen Nizari by establishing operational transparency; adopting and implementing good governance; and

providing strategic direction for sustenance and growth.

STRATEGIES FOR GROWTH

Our job in 2009 and beyond is to continue to manage the current economic storm and simultaneously set the stage to meet and greet the opportunities and threats that may arise. In order to achieve this objective, we will continue to strategically amend and execute the board established business plan in 2008, as it is a living document.

The business plan lays out certain measureable goals, which include but are not limited to; opening the first full service banking location, introducing new products & services, investing in technology, strengthening human resources, and most importantly, establishing good and transparent governance at all levels of the organization in order to set the stage for rapid growth for years to come.

As each piece of the business plan is strategically executed, it will result in transformation of Nizari from a savings and loan institution to a full service financial institution. This transformation should result in similar asset growth in future years as experienced in 2008 and more importantly, allow Nizari to become a financial pillar for our valued Members to lean on during all economic cycles.

HUMAN RESOURCES

We have strengthened our human resources in 2008 by hiring professionals at the management level, bringing our total head count to 16 from 6 (end of

2007). Good governance, transparency and professionalism are being instilled by analyzing and revising existing policies and procedures, developing and adopting processes within divisions for quality control and reviewing core organizational values. This will allow us to institutionalize Nizari, as a professionally sustainable organization.

PRODUCT DEVELOPMENT

Historically for the past seventeen years, Nizari has focused primarily on personal loans that required the borrower to provide two guarantors in order to obtain a loan. This product had served its purpose well and continues to do so. However, in order to diversify our loan portfolio and our membership base, we rolled out our first “Signature Loan” product in 2008. As the credit markets tightened, we saw an opportunity to introduce this new product that provides up to \$50,000 in loan solely based on the borrower’s credit, cash flow, and character.

Nizari also introduced a competitive student loan product with the objective to ensure that every member of our constituency is able to access quality education. Simultaneously, we reintroduced New and Used Auto loans at competitive rates. Please visit www.nizari.org for an offering of our competitive products and services.

In the near future, our Members can expect products and services like online banking, checking and savings accounts for individuals and businesses, and many more. As we strategically roll out product & services with high service quality and

convenience, we believe this will allow us to attract the professionals, executives, and successful entrepreneurs to start banking with Nizari as their primary financial institution. We recognize it will not be easy in a market where there are many options, but we feel confident that ultimately the “loyalty” to the community institution will help us win them over.

PARTNERSHIPS AND ALLIANCES

During this momentous Golden Jubilee year, our beloved Imam graciously bestowed us with guidance on many issues including on the issue of Alliances. In 2008, Nizari not only strengthened its alliance and partnerships with sister institutions, but enjoyed the many benefits such alliances and partnerships offered. Nizari’s partnership with Aga Khan Economic Planning Board (EPB), National Alliance of Financial Services (NAFS), Local Councils & Boards, and our sister credit unions, Platinum and Pioneer, has allowed us to consult and capitalize on their expertise as well as resources.

For the election of board of directors in 2009, the chair and board of directors of Nizari had formally requested the Chairman of EPB to nominate an Election Commissioner to ensure a fair election process. This process has allowed Nizari to attract talented individuals to become part of the Nizari board. This year we welcome Dilshad Haji to the board of Nizari. She will be the second female to become a director on the board of Nizari in its eighteen year history, the first being Dr. Faiza Khoja, who is currently serving a 3 year term.

Nizari values partnerships and alliances with our sister institutions as it allows us to ensure our direction and decision making is strategically sound in serving our common constituency.

ECONOMIC CHALLENGES OF OUR VALUED MEMBERS

The board of Nizari recognizes that some of our borrowers may be experiencing challenging circumstances and declining cash flow due to the current recession. Thus, the board has established a process by which a borrower can apply to restructure their existing loan. We would like to encourage our borrowers to be proactive and contact us to apply for the restructure of their loan before it becomes delinquent. Ignoring your loan obligations and commitments will only make matters worse for you now, but also in the future as your late payments affects your credit report and history. Your fulfillment of your loan obligation to Nizari, will not only allow Nizari to maintain its financial strength and foundation, but more importantly, it will allow other Members to benefit as you have, by accessing credit from Nizari. We are ready, willing, and able to assist you through these challenging times.

LOOKING TOWARD THE FUTURE

I am confident that Nizari will continue to cultivate loyal Members that will result in continued solid growth.

In closing, 2008 was a year of challenges and opportunities. I am confident that Nizari will encounter more opportunities than challenges in the years ahead because of Nizari’s solid foundation. For

this I would like to personally offer my sincere gratitude to the founding directors, past and current directors, and all board committees who selflessly volunteered their time, knowledge, wisdom, and guidance over the years.

I would also like to acknowledge the dedication and commitment of our staff. As a tribute to our staff, we have dedicated the cover page of this year’s annual report in appreciation of their sincere commitment to Nizari, its mission, and vision.

Finally, I would like to thank our valued Members for your ongoing confidence in our ability to serve your financial needs and more importantly for your unwavering trust, confidence, and loyalty with Nizari. As always, I personally look forward to receiving your thoughts and suggestions at sadiq.dosani@nizaricu.org.

On behalf of the board,



Sadiq Ali Dosani
Chairman of the Board

Supervisory Committee Report



The Supervisory Committee is composed of three volunteer members, appointed by the board, who function as the credit union's internal audit committee. It is the Committee's responsibility to ensure internal controls are effective, accounting records and the operations of the credit union are in compliance with NCUA rules & regulations in addition to board established policies & procedures.

The Supervisory Committee hired an external auditor to conduct an examination of Nizari's financials and to ensure that internal controls are effective. The committee also completed a random

sample verification of members account balances, and met regularly to consider matters that are within the Supervisory Committee's area of responsibility.

It is our opinion that the enclosed financial statements fairly and accurately reflect the financial condition of Nizari Progressive Federal Credit Union as of December 31, 2008. The Committee is pleased to report that Nizari is financially sound and is operating in compliance with NCUA rules and regulations.

Hussain Jawer
Chairman Supervisory Committee

Financial Highlights

	2008	2007	%
Capital/Net Worth	9,268,459	8,326,578	11.31 %
Shares	39,520,782	23,623,035	67.30 %
Gross Income	3,227,184	2,758,078	17.01 %
Outstanding Loans	30,962,888	27,164,702	13.98 %
Total Assets	48,826,233	31,979,946	52.68 %

Financial Ratios Compared to Peer Group Leaders

	Nizari	Peers
Net Worth to Assets	18.98 %	14.12 %
Total Loans to Total Shares	78.35 %	68.63 %
Total Loans to Total Assets	63.41 %	58.28 %
R.O.A	2.79 %	0.30 %
Operating Expenses to Gross Income	23.04 %	60.56 %
Share Growth	67.3 %	7.21 %
Solvency Evaluation	123.23 %	117.05 %

Credit Committee Report



The Credit Committee is composed of five volunteer members, appointed by the board, to approve loan applications submitted by members. The Credit Committee meets weekly through the year to review these applications submitted and to ensure loans are approved as per board established criteria.

In addition to approving loans, the committee provides feedback and recommendations to the board for policy changes in regards to our lending criteria. During 2008 the board revised its loan policies to strengthen the quality of loan portfolio in addition to, adopting

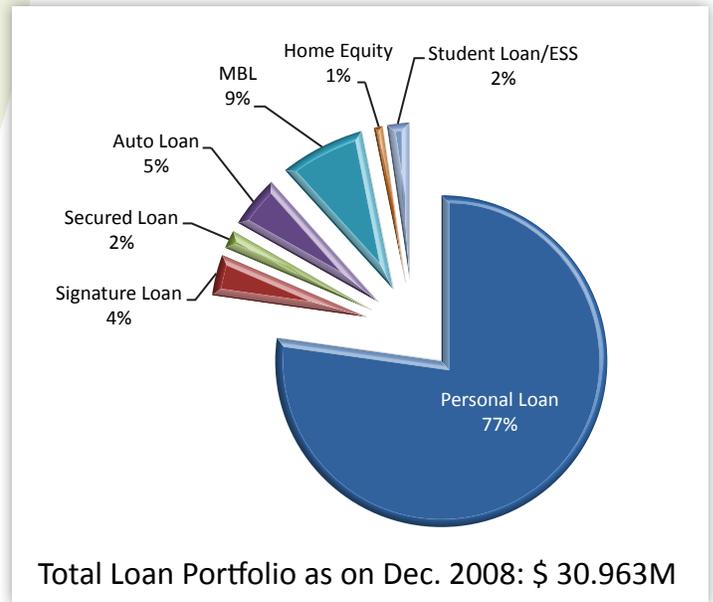
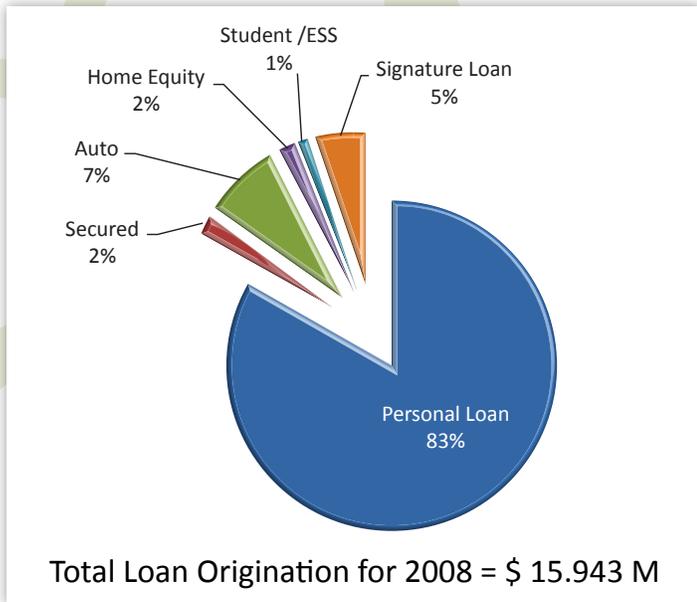
procedures to enhance our loan process so as to approve and fund loans within 7-10 days of receiving a completed application.

The loan portfolio grew by 14% during 2008, with \$15.943 million in new originations.

We continue to offer a variety of loan products with highly competitive rates for the benefit of our valued members. For additional information, please visit www.nizari.org for a complete list of product offerings and applications.

Moez Dhukka
Chairman Credit Committee

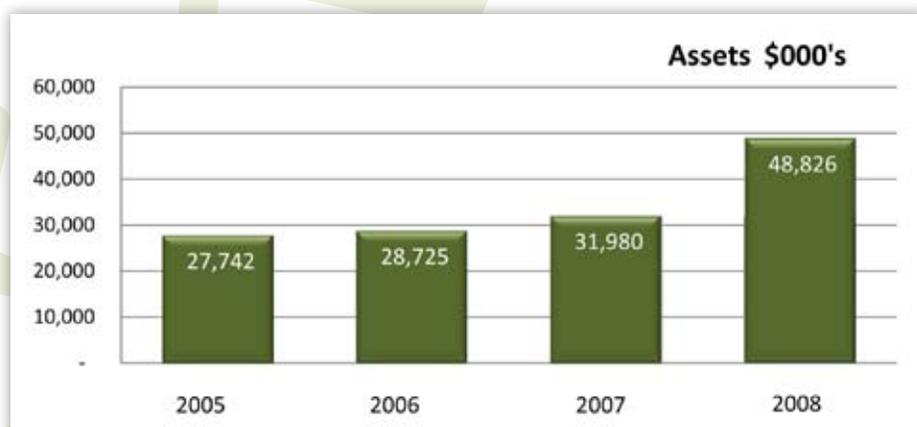
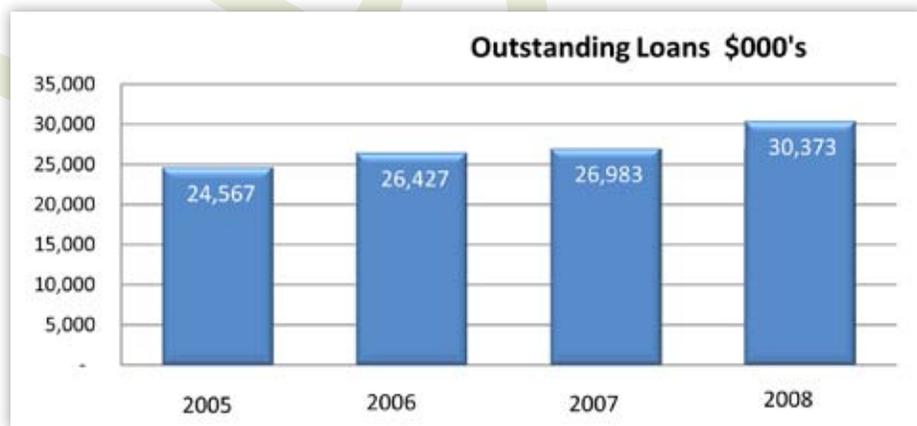
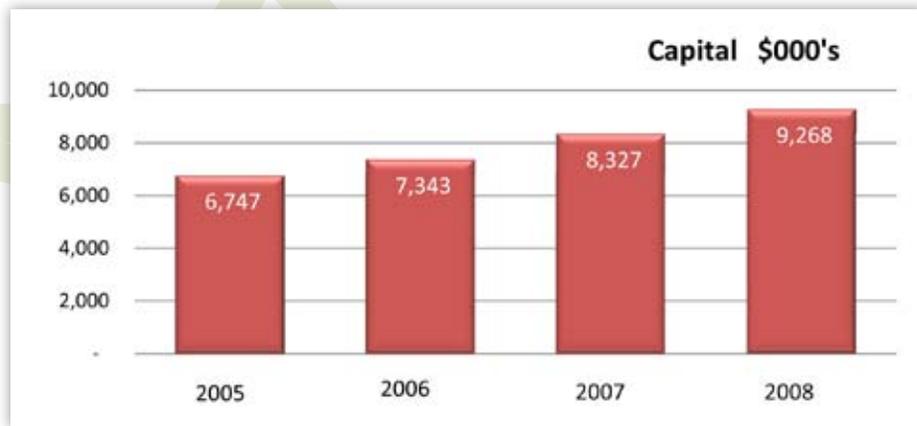
“The loan portfolio grew by 14% during 2008, with \$15.943 million in new originations.”



Statement of Financial Position

For Years Ending December 31, 2008 and 2007

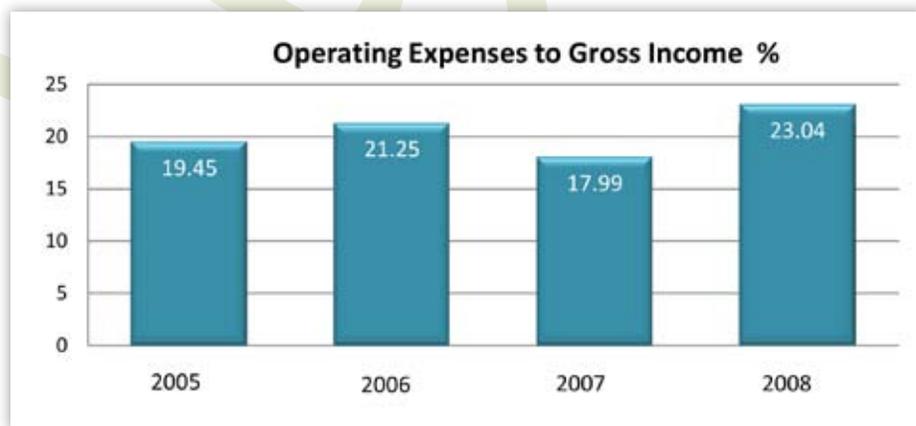
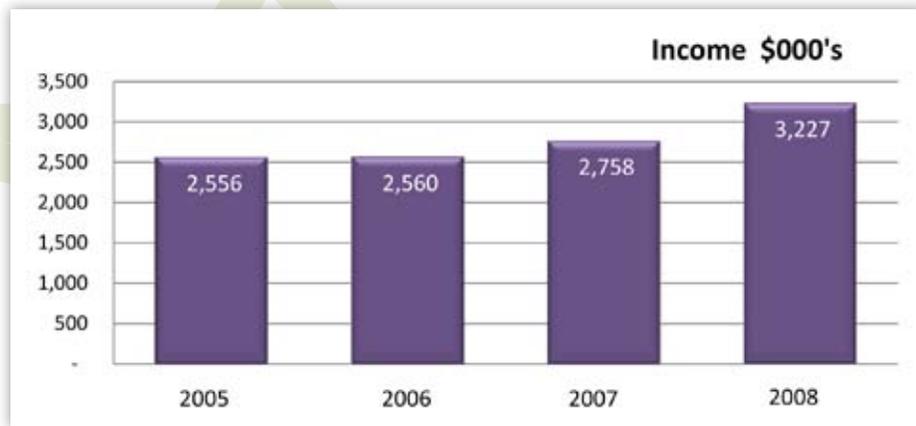
ASSETS	2008	%	2007	%	VARIANCE
Loans to Members	27,911,384	57.16%	23,215,650	72.59%	4,695,734
MasterCard Loans	341,442	0.70%	246,840	0.77%	94,602
Member Business Secured Loans	1,372,905	2.81%	1,909,286	5.97%	(536,382)
Unsecured Member Business Loans	1,337,157	2.74%	1,792,925	5.61%	(455,768)
Less: Allowance for Loan Loss	(589,967)	-1.21%	(181,967)	-0.57%	(408,000)
Total Loans	30,372,921	61.94%	26,982,735	84.37%	3,390,187
Cash at Bank	1,529,488	3.13%	1,718,236	5.37%	(188,748)
Investment	16,140,306	33.06%	2,800,000	8.76%	13,340,306
N.C.U.S.I.F Deposit	231,169	0.47%	208,684	0.65%	22,485
Receivable From Chase	87,049	0.18%	-	0.00%	87,049
Rent and Utility Deposits	9,257	0.02%	9,101	0.03%	156
Total Deposits	327,475	0.67%	217,785	0.68%	109,690
Prepays	12,750	0.03%	4,241	0.01%	8,509
Prepaid Share Insurance	-	0.00%	6,788	0.02%	(6,788)
Total prepaid and Def. Expenses	12,750	0.03%	11,029	0.03%	1,721
Furniture, Fixture, Leasehold Impr & Equipment	192,570	0.39%	181,140	0.57%	11,429
Less: Acc Dep & Amortization	(179,473)	-0.37%	(172,444)	-0.54%	(7,029)
Net Fixed Assets	13,097	0.03%	8,696	0.03%	4,401
Accrued Interest on Loans	267,285	0.55%	208,940	0.65%	58,345
Accrued Interest on Investments	162,911	0.33%	32,523	0.10%	130,388
Total Accrued Income	430,196	0.88%	241,463	0.76%	188,733
Total Assets	48,826,233	100.00%	31,979,944	100.00%	16,846,289
LIABILITIES AND EQUITY	2008	%	2007	%	VARIANCE
Payroll Taxes	1,086	-	-	0.00%	1,086
Accrued AGM Expenses	35,907	0.07%	30,333	0.09%	5,574
Total Payables	36,993	0.08%	30,333	0.09%	6,660
Members' Shares	38,858,619	79.59%	23,080,378	72.17%	15,778,241
Members' Shares Draft	13,449	0.03%	13,400	0.04%	49
IRA Shares	634,250	1.30%	500,793	1.57%	133,457
IRA Roll Over Shares	14,465	0.03%	28,462	0.09%	(13,997)
Total Shares	39,520,782	80.94%	23,623,033	73.87%	15,897,749
Regular Reserve	1,100,000	2.25%	1,100,000	3.44%	-
Reserve for Contingencies	3,100,000	6.35%	3,100,000	9.69%	-
Provision for Building	1,400,000	2.87%	1,400,000	4.38%	-
Donated Equity	2,900	0.01%	2,900	0.01%	-
Undivided Earnings	3,665,558	7.51%	2,723,678	8.52%	941,880
Net Gain (Loss) YTD	-	-	-	-	-
Total Equity	9,268,458	18.98%	8,326,578	26.04%	941,880
Total Liabilities and Equities	48,826,233	100.00%	31,979,944	100.00%	16,846,289



Statement of Operations

For Years Ending December 31, 2008 and 2007

OPERATING INCOME	2008	%	2007	%	VARIANCE
Interest on Loans	2,614,430	81.01%	2,452,556	88.92%	161,874
Interest Income from MasterCard	22,076	0.68%	26,129	0.95%	(4,053)
Income from Investments	462,703	14.34%	182,493	6.62%	280,210
Credit Union - Fees & Charges	127,975	3.97%	96,900	3.51%	31,075
Other Income					
Total Operating Income	3,227,184	100.00%	2,758,078	100.00%	469,106
LIABILITIES AND EQUITY	2008	%	2007	%	VARIANCE
Office Salaries	373,506	11.57%	228,502	8.28%	145,004
Payroll Taxes	21,995	0.68%	18,554	0.67%	3,441
Travel and Conference	24,684	0.76%	6,835	0.25%	17,849
Office Occupancy	82,413	2.55%	87,259	3.16%	(4,846)
Utilities and Phone	23,159	0.72%	23,489	0.85%	(330)
Insurance	19,620	0.61%	11,094	0.40%	8,526
Depreciation	5,091	0.16%	18,854	0.68%	(13,763)
Loan Servicing	1,160	0.04%	5,360	0.19%	(4,200)
Credit Reports	7,383	0.23%	1,420	0.05%	5,963
Professional Fees	10,951	0.34%	14,352	0.52%	(3,401)
Prtg, Stationary, Supplies & Postage	37,746	1.17%	31,058	1.13%	6,688
Audit Fees	3,350	0.10%	3,350	0.12%	-
Provision for Loan Losses	416,000	12.89%	178,421	6.47%	237,579
Office Operating Expenses	12,132	0.38%	6,273	0.23%	5,859
Advertising & Promotions	1,463	0.05%	20,546	0.74%	(19,083)
Accounting Services	2,453	0.08%	1,562	0.06%	891
NCUA Operating Fees	5,973	0.19%	6,326	0.23%	(353)
Donation	23,735	0.74%	17,500	0.63%	6,235
IT/SW/ISP Cost and Support	34,853	1.08%	22,424	0.81%	12,430
Annual Meeting Expenses	28,400	0.88%	46,809	1.70%	(18,409)
Maintenance & Repairs	3,545	0.11%		0.00%	3,545
Miscellaneous Expenses	397	0.01%	18,302	0.66%	(17,906)
Association Dues	10,827	0.34%	10,074	0.37%	753
Bank Service Charges	8,730	0.27%	7,526	0.27%	1,205
Interest Paid	-	-	-	-	-
Total Operating Expenses	1,159,565	35.93%	785,890	28.49%	373,674
Income from Operations	2,067,619	64.07%	1,972,188	71.51%	95,431
Dividend Paid to Members	1,125,739	34.88%	988,903	35.85%	136,836
Net Income	941,880	29.19%	983,285	35.65%	(41,404)



Consolidated Statement of Equity

For Years Ending December 31, 2008 and 2007

	Regular Reserve (A)	Reserve for Contingencies (B)	Other Provisions (C)	Undivided Earnings (D)	Equity (Net Worth) (A + B + C + D)
Balance at December 31, 2006	\$1,100,000	\$3,100,000	\$1,402,900	\$1,740,393	\$7,343,293
Account activities during 2007	-	-	-	-	-
Transfer of 2007 Current Income	-	-	-	\$983,286	\$983,286
Statutory transfer to Regular Reserve	-	-	-	-	-
Balance at December 31, 2007	\$1,100,000	\$3,100,000	\$1,402,900	\$2,723,679	\$8,326,579
Account activities during 2008	-	-	-	-	-
Transfer of 2008 Current Income	-	-	-	\$941,880	\$941,880
Statutory transfer to Regular Reserve	-	-	-	-	-
Balance at December 31, 2008	\$1,100,000	\$3,100,000	\$1,402,900	\$3,665,558	\$9,268,459

Key Financial Ratios

For the Years 2005 and 2007 in percentages

For the Year	2005	2006	2007	2008	Peer Averages
Net Worth/Total Assets	24.31	25.55	25.66	18.75	14.12
Delinquent Loans/Total Loans	1.73	5.82	6.03	4.30	1.58
Return on Avg Assets	4.08	2.11	3.56	3.09	0.3
Solvency Evaluation	132.18	134.37	134.77	123.23	117.05
Gross Income/Avg Assets	9.58	9.07	8.84	8.00	6.83
Cost of Funds/Avg Assets	3.63	3.8	3.69	2.79	1.87
Operating Exps/Avg Assets	1.86	1.93	1.59	2.06	4.19
Yield on Average Loans	9.92	9.11	9.18	9.07	7.29
Yield on Investments	2.27	5.66	3.86	4.17	3.65
Operating Exps/Gross Income	19.45	21.25	17.99	23.04	60.56
Total Loans/Total Shares	117.35	124.45	114.99	78.35	68.63
Total Loans/Total Assets	88.7	92.57	84.91	63.53	58.28
Net Worth Growth	18.79	8.84	11.87	10.27	2.55
Market (Share)Growth	5.25	1.89	10.56	67.30	7.21
Loan Growth	4.64	8.06	2.16	13.98	0.93
Asset Growth	8.27	3.54	11.38	52.41	6.52
Investment Growth	58.02	-32.6	152.08	253.47	24.45

Products & Services

SIGNATURE LOANS UP TO \$50,000:

- Just your Signature
- Loans up to \$50,000
- Interest Rate of 8.99% fixed for \$50,000 loan and 9.90% fixed for loans below \$50,000
- Approval and funding within 7 business days

STUDENT LOANS:

- Interest rate fixed at 6.90%
- Repayment can start 6 months after graduation
- Repayment term of up to 48 months

AUTO LOANS (NEW):

- Interest rate starting from 4.74%
- Eligible for 100% financing of purchase price (Including TT&L)

AUTO LOANS (USED):

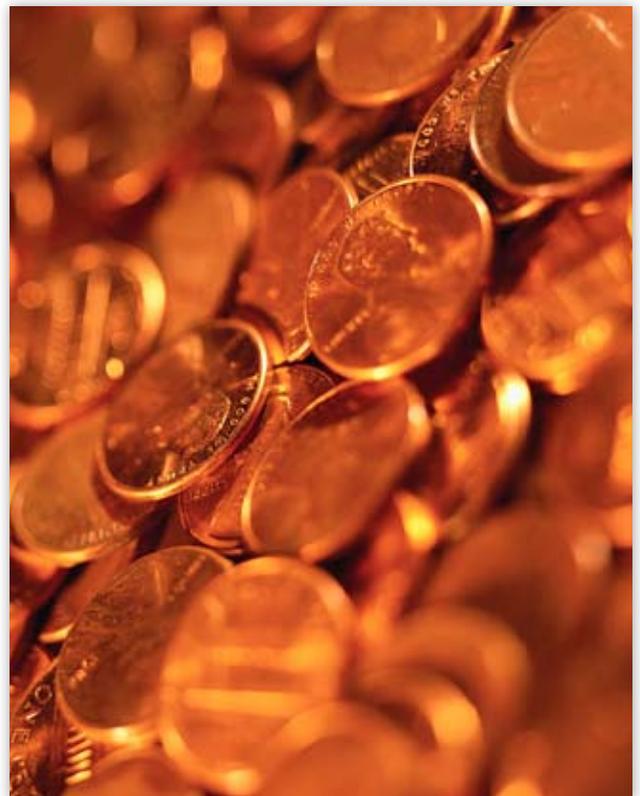
- Interest rate starting from 5.24%
- Refinance of existing Auto Loan with other Financial Institutions also available

SAVINGS ACCOUNTS:

- Nizari is now accepting unlimited deposits
- 4.0% APY Average Dividend for 2008

INDIVIDUAL RETIREMENT ACCOUNTS (IRAs):

- We offer Traditional, Roth and Education IRA's that will help make your retirement dreams come true.



Coming Soon...

The Nizari Federal Credit Union is always looking to improve our products and services to better accommodate our members' needs. We would like to thank you, our members, by giving you a sneak-peak of the upcoming products and services we will be installing later this year.

Business Accounts & Loans:

New Business Accounts with more financial tools and loan options that business professionals need.

Home Equity Loans:

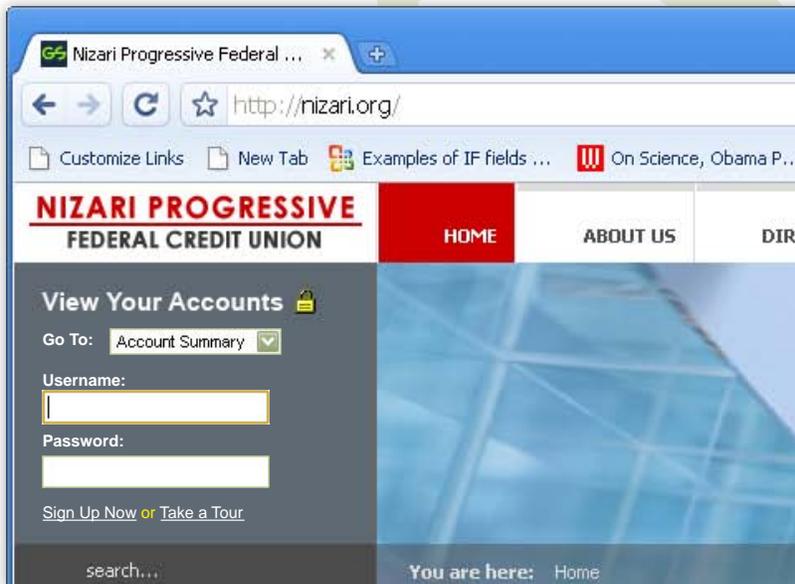
Home equity loans for the responsible home owner looking to finance a new business or a family vacation.

Member Services Surveys:

Member Services Surveys to further enhance the members' banking experience with Nizari.

Online Banking:

Most exciting of all, Nizari will be adding an all new online banking system to allow its members to access all their banking information, make payments, transfer funds, and more - all from the comfort of their own home.



Staff

OPERATIONS DEPARTMENT:

Salima Mawji	Operations Manager
Shaukathussain Jaffer	Compliance & Quality Assurance
Sana Jiwani	Operations Assistant
Amirali Rajwani	Administrative Assistant



MEMBERS SERVICES DEPARTMENT:

Noor Dhanani	Member Services Supervisor
Nasrin Momin	Member Services Representative
Malik Taj	Member Services
Saima Ali	Teller II
Shakil Ali	Teller I
Zeeshan Vasaya	Teller I
Hena Karim	Dallas
Nafisa Jan Mohammed	Austin



LOAN DEPARTMENT:

Rafiq Panjwani	Loan Manager
Ainon Mohammed	Loan Processor
Rozina Rasiyani	Loan Disbursement
Hussain Mirza	Collection Officer



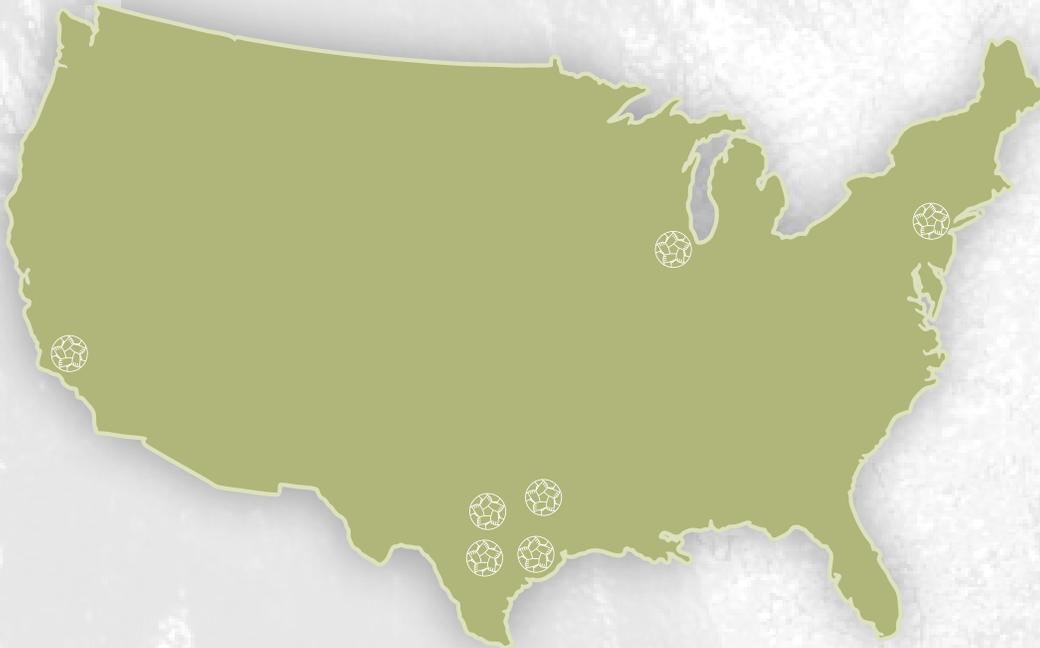
ACCOUNTING DEPARTMENT:

Wafiahmed Chunara	Controller
Nehi Todai	Accounts Payable



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Office and Branch Information



HEAD OFFICE - HOUSTON

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FAX: 210-646-6300

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FAX: 972-466-1890

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Nizari Progressive Federal Credit Union

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www.nizari.org

Your savings federally insured to at least \$250,000
and backed by the full faith and credit of the United States Government

NCUA

National Credit Union Administration, a U.S. Government Agency