MANAGING DIRECTOR'S REMARKS

Usman B. Suleiman
Managing Director/CEO

The Chairman of the Board, Members of the Board, Distinguished Shareholders, Representatives of our Regulators and Auditors, Ladies and Gentlemen,

It is with great pleasure that I welcome you all to the 8th Annual General Meeting of our Company, Future Unity Glanvills Pensions Limited and count it a great privilege to present to you the performance of the Company for 2014 financial year.

Before I proceed to unveil the details of the performance in 2014, permit me to present an overview of the operating environment during the period under review with an emphasis on the Pension Industry wherein the Company operated.

Operating Environment
There was a marginal decline in economic activities during the year under review. Nigeria's real Gross Domestic Product (GDP) growth rate dropped to 5.94 per cent in the fourth quarter (Q4) of 2014 compared to 6.23 per cent in the third quarter, according to the National Bureau of Statistics (NBS).

The oil sector experienced production and price challenges in the year under review. Despite this, the oil sector grew by 1.18 percent in Q4 2014, 10.54 percentage points higher than the decline of 9.36 percent recorded in Q4 2013 and contributed approximately 8.97 percent to real GDP in Q4 2014, lower by 1.48 percentage points from the 10.45 percent contribution Q3 2014, and by 0.42 percentage points from the 9.39 percent recorded during Q4 2013.

Non-oil sector growth was driven by growth in activities recorded in the Crop Production, Trade, Textile, Apparel and Footwear, and Real Estate sectors.
In Q4 2014, the non-oil sector recorded 6.44 percent growth in real terms, lower when compared to the 8.78 percent recorded in the corresponding period in 2013, and the 7.51 percent recorded in Q3 2014.

The end-period inflation rate increased slightly by 0.10 percent as at the end of third quarter 2014 from 8.20 percent recorded in the second quarter of 2014. The slight increase in the rate of inflation could be explained by increase in the prices of food and non-alcoholic beverages.

The monetary policy stance remained restrictive during the year under review with the maintenance of the Monetary Policy Rate (MPR) at 12 percent. In the effort to further curtail the rate of inflation, the cash reserve and liquidity ratios were maintained at 12 and 30 percent respectively.

Regulatory Environment
One of the notable changes in the Pension industry was signing into law the Pension Reform Act 2014 by the President on July 1, 2014. The crux of the Amended Act is to encourage more participation in the Contributory Pension Scheme.
The salient changes are outlined in the paragraphs below.

- The Pension Reform Act 2014 reviewed upwards, the minimum rate of Pension Contribution from 15% to 18% of monthly emolument, where 8% will be contributed by employee and 10% by the employer. This will provide additional benefits to workers' Retirement Savings Accounts and thereby enhance their monthly pension benefits at retirement.
- The Pension Reform Act 2014 has reduced the waiting period for accessing benefits in the event of loss of job by employees from six (6) months to four (4) months. This is done in order to identify with the yearning of contributors and labour.
- The Pension Reform Act 2014 makes provision that would compel an employer to open a Temporary Retirement Savings Account (TRSA) on behalf of an employee that failed to open an RSA within three (3) months of assumption of duty. This was not required under 2004 Act.
- The Act expanded the coverage of the Contributory Pension Scheme (CPS) in the private sector to include organizations with three (3) employees and above, in line with the drive towards informal sector participation

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- The Pension Reform Act 2014 also makes provisions that will enable the creation of additional permissible investment instruments to accommodate initiatives for national development, such as investment in the real sector, including infrastructure and real estate development. This is provided without compromising the paramount principle of ensuring the safety of pension fund assets.
- The Pension Reform Act 2014 has created new offences and provided for stiffer penalties that will serve as deterrence against mismanagement or diversion of pension funds' assets under any guise. Thus, operators who mismanage pension fund will be liable on conviction to not less than 10 years imprisonment or fine of an amount equal to three-times the amount so misappropriated or diverted or both imprisonment and fine.
- The Act clearly mentions that any interests, profits, dividends, investments and other income accruable to pension funds or asset are not taxable.

Pension Industry Overview

The total membership of pension schemes increased from 5,919,299 as at the end of the fourth quarter 2013 to 6,329,420 at the end of the third quarter 2014, representing an increase of 6.9 percent. The total pension contribution by both the public and private sectors into the RSA Scheme was N2,637.97billion as at the end of third quarter, 2014. This marked an increase of N404.6billion, representing 18.12 percent over the total contributions of N2, 233.37billion as at the end of 2013. The total pension fund assets under custody grew by 13.8% in 2014 from N4.05 trillion in 2013 to N4.611trillion in 2014. It is obvious that the pension reform act has positively impacted on the Nigerian economy, and would continue to do so considering the rapid growth of the funds.

FUG Pensions Financial Highlights for the Year Ended December 31, 2014

I am delighted that despite these challenges, FUG Pensions recorded a fairly significant growth in key performance parameters during the year as highlighted below:

Revenue

Profit/(Loss) Before Tax (PBT) was N49.206million for the Financial Year Ended (FYE) December 31, 2014, representing a 0.25% increase from the N49.085million recorded in December 31, 2013.

Profit/(Loss) After Tax (PAT) was N37.562 million for the Financial Year Ended (FYE) December 31, 2014, representing a 3.42% increase from the N36.321million recorded in December 31, 2013 and Gross Earnings increased by 38.24% to N468.238 million for FYE December 31, 2014 from N338.716 million recorded in December 31, 2013.

On the other hand, Net Interest Income dipped by 11.27% to N54.206 million for the period ended December 31, 2014 from N61.09 million recorded in December 31, 2013 as a result of the increase in Cash Reserve Requirements on both public and private sector funds and Monetary Policy Rate which deflated the money market rates.

Operating Expenses

Operating Expenses rose by 34.9% to N473.238 million in December 31, 2014 from N350.725 million recorded in December 31, 2013 as the staffing of more State offices became imperative from adoption of the Contributory Pension Scheme by more States during the year. The increase in staffing was also part of a strategic move emanating from the new Corporate Strategy adopted by the Company in February 2014.

Pension Fund Assets

Total Pension Assets under management increased by 34% to N31.039billion as at December 31, 2014 from N23.154billion as at December 31, 2013.

Shareholders' Funds stood at N1.228billion as at December 31, 2014, representing a 5.1% increase from the N1.168billion recorded in December 31, 2013.

Developing Our People

FUG Pensions has a structured framework of continuous professional development aimed at enabling our employees to realise their true potential.

Our Human Resources constantly monitors the skills pool and, where deficiencies are identified, programmes are introduced to fill in the gaps. These programmes focused on marketing enhancement, relationship management, operations and customer service among others.

Programmes are also tailored for our senior management to keep enhancing their leadership capabilities, as well as to nurture a talent pipeline to support our succession planning.

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2015 Outlook

2015 is thus likely to be another year of contrasts in which a difficult and uncertain start will most probably give way to a promising end.

The general elections scheduled in the first quarter of the year added significant uncertainty to the economic outlook, with local and external observers hoping for a peaceful election that will yield an outcome that will be acceptable to all. A peaceful and conclusive election should see a resumption of foreign capital flows to Nigeria as uncertainties about the election must have combined with the fall in oil price to explain the wave of capital outflows from Nigeria towards the end of 2014. Most of the fiscal adjustments are likely to occur after the election.

It is therefore reasonable to expect the following key changes after the elections:

- **Revenue reforms-:** Higher government revenue from increased fiscal transparency and higher non-oil taxes consumption of luxury goods and items of ostentation is expected from the booming non-oil sectors of the economy.
- **Structural reforms-:** New private refineries, privatization of power transmission, liberalization of gas supply, pipelines, and rail transportation, with concomitant increase in manufacturing and industrial activities. Nigerian government is most likely to do to its rail transport sector what it has beneficially done to its telecommunications sector, and has recently done to its power sector; namely, end government monopoly, carve out the country into zones and allow private firms to bid for the rights to build and/or operate rail lines under the oversight of a new regulatory body. Not just rail, but pipelines, gas, and refineries. If these are successfully done, manufacturing should be expected to become spontaneously competitive and manufacturing exports should grow.
- **Financial reforms-:** Higher longer term capital inflows will be attracted to the newly liberated sectors, and government could attract additional medium to long term capital inflows by issuing of medium to long term foreign currency bonds like Diaspora bonds or infrastructure bonds. On the global scene, it seems likely that the quantitative easing planned by the European Central Bank and the Bank of Japan should more than eventually compensate for the end of United States' liquidity injections and ensure a higher level of global liquidity in 2015. Nigeria also has fresh opportunity to reduce the dominance of short term capital inflows to the private sector, often referred to as 'hot money', as sector liberalization measures will boost medium and long term equity and other inflows into new refineries, power transmission, and rail development.

Our continuous drive for improvement places us always in a position to surpass our previous achievements and with the cutting edge technology deployed and IT infrastructures implemented, Future Unity Glanvills Pensions Limited is poised to take advantage of all the opportunities that will arise during the course of the year and are committed to maintain our unique brand in the industry and among our competitors. We will continue to stay the course, work hard, be transparent and maintain our reputation.

Conclusion/Appreciation

Future Unity Glanvills Pensions Limited continues on an exciting journey towards a brighter and better future. The journey has been tough but we are making a steady and assured progress.

We have achieved much that we can be proud of, but are conscious of the need to keep building on our strengths to attain our vision of becoming "the leading and most trusted name in the pension fund management". I believe we have what it takes to turn this vision into reality, given the support of our Shareholders, the dedication of our Board of Directors, the leadership of our management team and the commitment of our employees.

I will close my report by expressing my deep gratitude to the Chairman, members of the Board of Directors as well as all our distinguished Shareholders for the privilege afforded me to serve in this leading capacity.

I would also like to acknowledge every single member of this great Company for the hard work and perseverance and to all our stakeholders for their belief and trust in us. We have come a long way, and we intend to go even further. With your continued support, no distance is too far to bridge.

Finally, I want to return all the glory to God for His blessings to this Company that has sustained us over these years amidst all challenges.

Thank you for your attention.

Usman B. Suleiman
Managing Director/Chief Executive Officer