

## MANAGING DIRECTOR'S REMARKS



**Usman B. Suleiman**  
Managing Director/CEO

**Dear Esteemed Shareholders, the Chairman of the Board, Members of the Board, Representatives of our Regulators and Auditors, Ladies and Gentlemen,**

I am privileged and honoured to present the 2015 annual report of your Company, Future Unity Glanvills Pensions Limited.

2015 was without doubt a challenging year. We witnessed not only continuing stress in the global economy, with China's slow-down casting a long shadow across the globe including our region. Likewise the political and security circumstances of the country in the year along with the impact of a number of specific market and regulatory dynamics made the operating environments quite challenging.

I am however, glad to state that our resilient and resolute customer-focused business approach has, once again, allowed us to mitigate the worst effects of these challenges and the Company has been able to deliver a rewarding performance to all its stakeholders.

Some of the major global and domestic events and the key highlights of our performance in the FY ended December 31, 2015 are set out below.

### **Our Operating Environment**

The advanced economies showed signs of mild recovery in 2015. The U.S. economy experienced a positive rub-off from improved manufacturing output, rising household consumption and reduced unemployment, whereas the Eurozone was supported by accommodative monetary policies aimed at stimulating exports and consumer spending.

*“Profit after Tax grew by 75% to N65.843 million in an extremely turbulent operating environment”*

China's economic growth slowed to a 25 year low of 6.9% as the economy transits from export to consumption driven model. This led to heavy repercussions for emerging economies with trade ties to China as the country softens demand for raw materials. Major oil producing countries such as Brazil and Russia slipped into recessions in 2015 and might require deep structural reforms to increase recovery prospects in the near term.

On the domestic front, the slump in crude oil prices resulted to a sharp decline in government revenue and consequently, the nation's foreign reserves. Nigeria recorded a slowdown in domestic output as the GDP growth declined from 5.9% in Q4:2014 to 2.1% in Q4:2015.

Furthermore, exchange rate volatilities induced by slowdown in FX inflows mounted severe pressures on the Naira, prompting a 17% devaluation of the local currency to N197/USD1 in February 2015. As the pressure persisted, the CBN sustained a demand-focused FX management strategy to protect the Naira. Nevertheless, the Naira continued to slide at the parallel market, triggering a cost push inflationary trend.

Headline inflation rate kept an upward trajectory for 11 months in 2015 (peaking at 9.55% in December), and eventually exceeded the Central Bank's upper control limit of 9%. The increase in rate of inflation signaled a potential negative impact on the real rate of return on pension fund investments during the period under review.

Consequently, the CBN responded with several policy pronouncements which included:

- Harmonization of Cash Reserve Requirement (CRR) at 31% by easing Public sector CRR from 75% and raising CRR for Private funds from 20%
- Eventual reduction of harmonized CRR from 31% to 25% and further to 20%, to facilitate direct lending to high impact economic sectors
- Reduction of Monetary Policy Rate from 13% to 11% to reduce borrowing costs and stimulate increased economic activities

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- Reduction of the asymmetric corridor around the MPR from +2/2% to +2%/-7% to push liquidity to the real sector
- Implementation of Treasury Single Account (TSA) which resulted in the movement of approximately N1trillion from the Deposit Money Banks (DMBs) to the CBN.

These policy moves were aimed at stabilizing the financial system.

Also, the General Elections of 2015 were unprecedented in the nation's history with the relatively peaceful victory and ascension of an opposition party, the All Progressive Congress (APC). The incumbent Government has set out its economic agenda for its first year in office with expansionary policies aimed at diversifying the country's economic base away from reliance on crude oil.

### FUG Pensions Financial Highlights for the Year Ended December 31, 2015

Despite the economic headwinds, I am pleased to report that your Company delivered a commendable set of results in 2015

	2015 N'000	2014 N'000	% growth
PBT	105,541	49,206	115
Gross Earnings	546,507	468,238	17
Net Interest Income	66,097	54,206	22
Operating Expenses	507,063	473,237	7
Profit after Tax	65,843	37,562	75
Assets under Management	38,311,395	31,039,174	23

### Revenue

Profit/(Loss) Before Tax (PBT) was N105.541million for the Financial Year Ended (FYE) December 31, 2015, representing 115% increase from the N49.206 million recorded in December 31, 2014.

Profit/(Loss) After Tax (PAT) was N65.843 million for the Financial Year Ended (FYE) December 31, 2015, representing 75% increase from the N37.562 million recorded in December 31, 2014 and Gross Earnings increased by 17% to N546.507 million during the period under review as against N468.238 million recorded in December 31, 2014.

On the other hand, Net Interest Income grew by 22% to N66.097 million for the period ended December 31, 2015 from N54.206 million recorded in 2014.

### Pension Industry Overview

The total membership of pension schemes increased by 7.6% to 6,885,396 as at December 31, 2015 from 6,396,574 recorded in 2014.

The total pension contributions made by both the public and private sectors into the RSA Scheme was N3.29 trillion as at the end of third quarter of 2015. This marked an increase of 24.6% over the third quarter 2014 figure of N2.64 trillion.

The total pension fund assets under custody grew by 14.9% to N5.30 trillion as at December 31, 2015 as against N4.61 trillion recorded 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.

### 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 N38.31 billion as at December 31, 2015 from N31.039 billion recorded as at December 31, 2014.

Shareholders' Funds stood at N1.295 billion as at December 31, 2015, representing an increase of 5.4% from the N1.228 billion recorded at the end of 2014.

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## **Our People**

Distinguished Shareholders, FUG Pensions still boasts of the best people in the industry despite the difficult operating environment – a team of professional and creative minds focused on providing innovative customer centric solutions. Over the years, our people who are our best assets have continued to serve the Company with diligence and loyalty

I sincerely appreciate this great and wonderful team for their immense contributions towards the continued success and sustainability of the Company. Together, we will all reap the fruits of our tireless and unwavering commitments to the course of this great institution.

## **2016 Outlook**

The National Bureau of Statistics forecasts that the Nigerian economy will expand by 3.8% in 2016. World economic growth for 2016 is projected at 3.4% and growth forecasts for China and India are put at 6.4% and 7.6%, respectively. The key issues that will continue to dominate the Nigerian economy are crude oil prices and Nigeria's exchange rate policy, interest rate policy, fiscal policy and trade policy.

Low or further declines in oil prices will result in lower revenues for all tiers of government, lower foreign exchange earnings, sustained or increased pressure on the exchange rate, increased borrowings and higher levels of debt servicing and heightened inflation. In order to address these challenges the Federal Government's budget for 2016 indicates that Nigeria has adopted a fiscal strategy that is anchored, among other things, on improving tax collection in order to boost revenue, diversification of the economy and of the Government's revenue base, promotion of local petroleum refining, local manufacture of previously imported items, as well as increased spending on infrastructure and in particular on power. All of these will have to be fast-tracked if the economy is to avoid a recession.

The 2016 financial year will no-doubt remain challenging, as the fundamentals that drag economic growth are expected to persist, at least, in the short to medium terms. Nonetheless, let me assure you that we will work assiduously to ensure sustainable growth in all aspects of our business with keen focus on cost leadership, operating efficiency and customer engagement. I am more confident that huge investments made in our processes and people have laid a solid foundation for our company to survive the economic headwinds in 2016 and beyond. This has been attested to by the certification of your company in Quality Management System by

the International Organization of Standards (ISO 9001:2008) in December, 2015.

## **Conclusion/Appreciation**

We owe our success and performance for the financial year ended 2015 to the continued support and the resilience of our Shareholders' and their Representatives on the Board. I commend the immense contribution of the Board members towards the achievement of the corporate objectives of the Company and look forward to more fruitful engagements in 2016. I also salute all Management and Staff of this great Company for their loyalty, diligence, and unrelenting support in times past while counting on their unflinching commitment in the 2016 financial year towards improving on our achievements.

I acknowledge the industry regulators for their sustained efforts at ensuring a stable and fraud-free industry. Most importantly, I thank the God Almighty who has kept each one of us to witness the arrival of FUG Pensions at this milestone.

Eminent Shareholders, Ladies and Gentlemen, once again, I thank you for your attention and wish you a safe trip back to your various destinations.

Kind Regards,

**Usman B. Suleiman**  
**Managing Director/Chief Executive Officer**