

MANAGING DIRECTOR'S REMARKS

Dear Stakeholders,

I consider it a privilege to present to you the performance of our Company in 2009 financial year. Prior to this a brief review of the Nigerian economy with an emphasis on the Pension Industry wherein the Company operated is presented.

The Economy and the Pension Industry

The economy witnessed another year of impressive growth amidst the current global recession with a GDP growth rate was approximately 6.9%. The growth in GDP as was the case in the recent past years was driven largely by non-oil sector of the economy whereby non-oil constituent of the GDP recorded approximately 84.5% contribution to the growth higher than 77% contribution to the growth rate for 2008. Agriculture, wholesale and retail trade were the largest contributors to the growth.

The Pension Industry benefited immensely from the Nigerian economic growth as Funds under management grew by 39.2% in 2009 compared to 34.81% recorded in the preceding year resulting to N1.53 trillion worth of pension assets which is made up of N659.64b RSA, N89.24b RSA Retiree, N342.36b CPFAs and N349.13b AESs. The RSA growth was 15.7% higher than 2008 figure.

Operational Results

Our Company's operations are dispensed from six regional offices located in Lagos, Abuja, Port Harcourt, Ibadan, Kano and Maidugury, three sub-regional offices located in Enugu, Sokoto and Jos and from 23 zonal offices located nationwide. Though the Pension Market is characterized by challenging competitive environment, FUG has been able to compete favourably amongst its peers.

Profit and Loss Account

As indicated in the profit and loss account for the year ended December 31, 2009, we closed the 2009 financial year with a loss after tax of N113.5m. This was below the N124.5m loss in the approved budget for the year. It is our hope that as this trend is maintained and further improved upon, that the breakeven period shall be reached faster than anticipated.

Balance Sheet

The balance sheet as at the year ended December 31, 2009 indicated a fixed assets net book value of N72.5m, and a Deferred tax assets of N166.7m, while the current assets is made up of prepayments and other receivables of N14.5m and cash and short term funds of N393.1m.

Significant Development

During the year under review, FUG pension fund under management grew from N1.41b the previous year to close the year at N4.6b (226% growth) as fund under management as at December 31, 2009. The Retirement Savings Accounts also increase from 23,376 as at December 2008 to 40,176 (71.9% growth) at the end of the year under review. FUG was

MANAGING DIRECTOR'S REMARKS

selected as one of the registered PFAs to manage Delta State pension fund and also amongst the PFAs selected to manage FAAN legacy pension fund

Future Outlook

The Economy

The non-oil sector's performance will continue to play an important role in boosting economic growth in 2010 especially as agricultural output looks set to perform better amidst increased funding for investments and improved weather prospects. Major infrastructural projects are expected to be adequately funded in major commercial cities as a result of the continuous increase in pension fund. In view of the easing of the liquidity in the banking sector, the set up of AMCON is expected to become completed by 2010/11.

Stock Market

Though there exist a lot of uncertainties in the stock market, however, expected growth drivers of the stock market are, inflows from pension fund investments especially as average portfolio cost reduction strategy, increased investment from assets/portfolio managers and other institutional investors, more participation of foreign investors, the banking sector reforms and more stability in the macroeconomic environment as a result of political stability being experienced.

Pension Fund

The industry is currently at the growth stage with a lot of prospect in compliance level especially in the States. In the next five years, the industry will be characterized by the following trends.

- Increased competition as more states join the scheme and PenCom opens the transfer window.
- More market growth, as more companies and employees are getting aware of the new scheme and its advantages.
- Contributors becoming more enlightened and demanding more value added services.
- More focus on service delivery in a bid to retain contributors given the implementation of the provision for change of PFA, as contained in the act
- Growth of the Nigerian economy with attendant growth in GDP and employment
- With the success of the scheme, possible interest especially in the voluntary portion by Nigerians living outside the country
- Introduction of new asset classes for the investment of funds by the PFAs.
- Consolidation by mergers acquisition and other form of business combination

In the midst of significant challenges ahead, our Company is poised to realize sustainable growth and development in the year ahead. We shall continue to experience growth in all

MANAGING DIRECTOR'S REMARKS

areas of our marketing and investment activities. Our systems and processes will continue to be fine tuned for greater levels of efficiency and effectiveness. We shall harness our staff training and development in order to position effectively for market leadership in the industry.

Conclusion

In view of the foregoing, I hereby express the sincere appreciation of Management for the support and co-operation of our stakeholders particularly our clients, shareholders and the regulator. I also thank our Board members for their continued support and contribution to all strategic management decisions and efforts undertaken during the year under review. Ultimately it is my great privilege to thank God for giving us the advancement we have experienced so far.

Thank you for your attention.

Usman B. Suleiman
Managing Director/CEO