



Our plan in 2011 was to build on the initiatives that we started in 2010. One of these initiatives is the development of the corporate finance segment of the business. The increased impetus for growing this segment was driven by the need to broaden service offering and position the company to play a more active role in the provision of long-term financing in the economy. We are happy that FSDH has made significant progress in this area. The company was a party to a number of the major debt issues that took place in Nigeria in 2011, and also worked with many corporate clients to provide acceptable solutions to their funding needs.

the Monetary Policy Committee (MPC) of the CBN. The MPR, which was 6.25% in January 2011 closed the year at 12%. Interest rates and yields on fixed income securities followed the same trend. This raised the cost of borrowing thereby making projects that once looked profitable, less viable and in the process stalling the plans to raise funds for such projects. Many planned debt issues where FSDH had been appointed as issuing house had to be suspended following the inability of the projects to absorb the prevailing relatively high cost of borrowing.

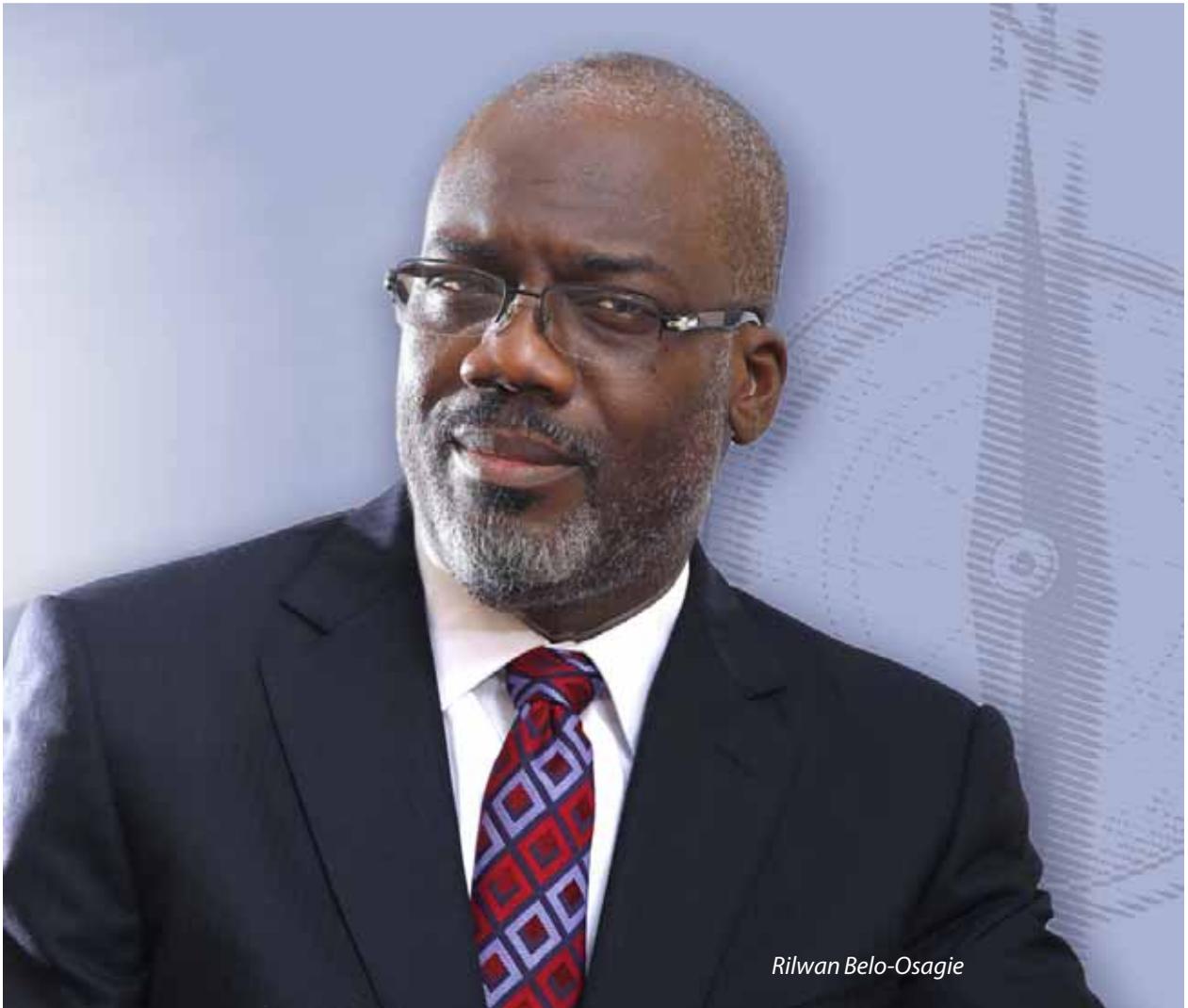
Our fixed income trading activities were also adversely affected by the succession of increases in the MPR. Yields

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Although the corporate finance segment recorded significant achievements in 2011, the rise in interest rates constrained efforts, as some of the planned deals could not be concluded. In a bid to moderate pressure on the exchange rate of the naira and curb inflation, the Central Bank of Nigeria (CBN) maintained a tight monetary stance throughout the year. In addition to many other measures, the Monetary Policy Rate (MPR) was increased six times by

on government securities, especially bonds, continued to rise at the primary auctions in response to the rise in interest rates, resulting in a huge gap in the mark-to-market positions of many financial institutions. This gap made it difficult for these institutions to trade out of their positions. Thus, the secondary market could not function effectively, as two-way quotes were no longer given for many of the bonds in issue making the bonds relatively illiquid. This problem was

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made worse by the challenges with the market's settlement platform which created significant operational bottlenecks and contributed to the difficulties in trading activities. However, the interbank market was very active during the year due to the guarantee on interbank placement provided by the CBN. Within the limits of our risk management system, we took advantage of the opportunity to grow risk asset volumes, and this contributed immensely to the reported income for the year.

Another initiative that the company has been implementing

is the development of new products and services in our asset management subsidiary. The aim is to provide the investing public with a wide range of options to suit their investment appetites and profiles. Following from our pioneering efforts at market-making a number of unquoted securities, which increased liquidity and access to the securities, we are working with reputable real estate companies to introduce Real Estate Investment Trust Schemes (REITS). Barring any unforeseen circumstances, one or two of these products will be in the market before

the end of the first half of 2012. Our approach has been to ensure that we work with parties that have the requisite track record to deliver on promises and also to ensure that the product is carefully packaged in a way that will provide real value to investors. REITS will offer investors a new asset class with a completely different risk profile and will be useful both for the purpose of portfolio diversification and risk reduction. It will also enable many small investors to become co-owners of choice properties in some of the best locations in the country.

The sustained downturn in the capital market has continued to adversely affect the operations of our stock-broking subsidiary, FSDH Securities Limited. The loss of appetite for equity investments has been compounded by the high yield in fixed-income securities, as investors liquidate their investments in shares of quoted companies to take advantage of the better yield in fixed-income securities. Thus, all the efforts by the capital market authorities to restore confidence in the capital market have, so far, not resulted in any appreciable increase in the volume of activities. While the market adjusts to the current environment, we have continued to maintain close contacts with clients by carefully identifying long-term opportunities and assisting them to take advantage of them. Our Research Unit is actively engaged with the business units to offer sound investment advice to all our valued clients. In addition, the subsidiary is working closely with FSDH's corporate banking department and the asset management subsidiary in the execution of deals. This collaborative approach has continued to give FSDH as a group, wider access into the value chain of syndicated transactions.

In December 2011, the pension funds administration (PFA) subsidiary, Pensions Alliance Limited (PAL), successfully raised N340 million in order to increase shareholders funds to over N1 billion. This is to comply with the new minimum shareholders funds requirement of N1 billion made by the National Pension Commission (PenCom). The deadline for compliance is June 2012. It is believed that the new regulation on recapitalization will enable pension fund administrators (PFAs) to achieve financial stability and improve their services.

Furthermore, it is also likely to lead to some form of consolidation in the industry. During the year, PAL acquired the pension assets of Standard Alliance Pension Managers Limited, following the voluntary exit of the PFA from the Pension Industry. As the industry consolidates, PAL is working at identifying such opportunities to complement its internal growth plans.

The financial services industry is still facing many challenges. These challenges are currently responsible for the downturn in economic activity. Despite these challenges, the potential for growth is very high given the fact that the country's infrastructure needs massive improvement. Substantial funding is required to execute numerous infrastructural projects that are necessary to grow the economy. Financial institutions will therefore need to be proactive in order to play an active role in the funding of such projects. In order to enhance the company's ability to do this, FSDH has mapped out plans to strengthen existing capacity through skills acquisition, collaboration with leading international resource centres, partnership with international players, and deepening of relationships with the critical segments of the market.

For most of the year, the company worked to fashion out a long-term strategic plan that will take advantage of the ongoing reforms in the financial services industry. Action plans have been put in place to implement the plan and as soon as necessary approvals are received from the regulatory authorities, a new roadmap for the company will be unveiled. The plan is to move the company to a new level, taking into consideration the lessons learnt from the evolution of the various segments of the financial services industry in many parts of the world. By this, we intend to position FSDH to continue to play a pioneering role in the development of the financial services industry in the country. We believe that the company's prospects are very bright due to its strong foundations. The company will continue to leverage on those foundations as it positions for a greater role in the economy as a whole and the financial services industry in particular.

