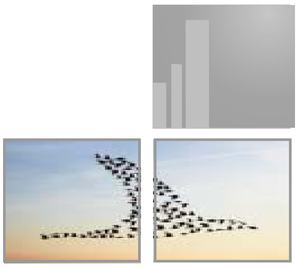


Chairman's Statement

Ibrahim Y. Dikko

Distinguished Shareholders, it is with great pleasure that I welcome you all to the 17th Annual General Meeting of our company, First Securities Discount House Limited. I am happy to present to you the report and accounts of the FSDH Group for another successful year for the period ended 30 June 2009.

Global Environment

The year under review will go down in history as one of the most challenging, in view of the global economic crisis that rocked the entire world. The crisis, which started with the U.S sub-prime mortgage defaults, induced a financial meltdown and a precipitous fall in crude oil prices and later escalated into wide-spread economic recession around the world.

Domestic Economic Environment

In Nigeria, the impact was mostly felt in the financial markets. The first impact was a tightening of credit as a result of the withdrawal of credit lines put in place for Nigerian banks by their western counterparties. The capital market, where unrestrained optimism and speculative trading without regards to fundamentals and warnings of financial experts had culminated in a stock market bubble was the next victim. Here, the liquidation of portfolio investments by foreign fund managers, due to their own liquidity concerns, in the Nigerian capital market started the crisis. Thereafter, the situation was exacerbated by the decision taken by the local banks that were largely responsible for providing the funds that had fueled the rising equity prices, to call in margin facilities. The situation was further compounded by the downstream petroleum operators who could not service their debt obligations due to the sudden decline in both international and local prices of oil and petroleum products.

Operating Environment

The operating environment was quite challenging as a result of a variety of issues. Inflation ranged between 12.5% p.a. and 15.1% p.a. during the period

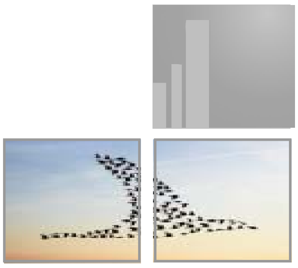
... FSDH Brand continues to deliver on its promise to utilise the **latest technology** available to enhance response time and ensure service delivery that is of the **highest standard.**

under review, falling short of Government's target rate of 8.2% p.a. set at the beginning of the year. The CBN Monetary Policy Rate (MPR) was reviewed downward, twice: first in July 2008 by 50 basis points to 9.75% p.a. and then to 8% p.a. where it has remained until recently, when it was reduced to 6% p.a. in July 2009.

Export receipts declined as a result of the drop in oil prices from an all time high of $147 per barrel to $33. The decline resulted in a reduction in external reserves by 28% from $67 billion in October 2008 to $50.1 billion in June 2009. It also led to the reduction in the monthly Federal Government revenue allocations to the States from about N200 billion to just over N100 billion for most part of the year. This led to a reduction of liquidity in the money market.

The situation was further aggravated by the announcement of December 31 as uniform year end for all deposit money banks and discount houses as this led to a scramble for deposits with tenors that would cross over the year-end. This drove rates as high as 30% p.a. The resultant effect was a confidence crisis as net-placer banks, wary of the financial standing of other banks willing to take deposits at such rates, reduced participation in the money market strictly to the purchasing of government securities or high grade commercial bills. This was the situation before the CBN, in July 2008, reversed its decision regarding the common year-end.

In order to ease the tightness in the money market, the Central Bank in October 2008 introduced the Expanded Discount Window (EDW). This window allowed banks to access funds for tenors of up to one year using Commercial Bills, at a rate set at a maximum of MPR plus 500 basis points. To further moderate interest rates, the CBN in April 2009 capped lending and deposit rates at 22% per annum and 15% per annum respectively. This cocktail of policies had a calming effect on interest rates in the money market by the end of the year under review. However, the general uncertainty in the market as regards undisclosed exposures to the capital market and downstream petroleum operators on the balance sheet of banks continued to be of concern to market operators and analysts.



...We believe that this will ensure that we continue to be the **specialist financial institution** of choice to our clients.

Industry Developments

On the regulatory front, it was good news when the Central Bank, in October 2008, revised the operating guidelines for Discount Houses. The Nigerian Discount Market Association (NDMA) had been engaged in dialogue with the CBN for an extended period concerning the need for a review of the Discount Houses' Guidelines. The Discount Houses had pressed for this review because most of the exclusivity that was hitherto enjoyed by Discount Houses had been removed whilst all the restrictions concerning their scope of activities remained.

High points of the review include:

- Liberalization of equity holding to include individuals and the general public. Previously only institutional investors were allowed to own equity in discount houses.
- Expansion of scope of activities to include capital market activities with the approval of the relevant regulatory authority and trading in foreign exchange.

Operations

During the year as part of our continuous efforts to ensure we provide better services to our customers, we carried out a careful review of our information technology infrastructure in order to align it with the expansion in our operations. The process led to the choice of a new investment banking software. The project, which is currently at the implementation stage, will ensure that the FSDH Brand continues to deliver on its promise to utilise the latest technology available to enhance response time and ensure service delivery that is of the highest standard.

As a result of the significant growth in the size and complexity of FSDH Group's business in recent times, the scope and depth of the Group's risk exposure has increased significantly. This recognition led to the need to strengthen our risk management capabilities. Consequently, the company engaged the services of a reputable consultancy firm, KPMG Professional Services during the year to assist in the conduct of an enterprise-wide risk assessment and control gap analysis for the group. The result of the review has been documented, to enhance our overall risk management capabilities. We believe this to be a significant step in the right direction. Recent revelations around the world and Nigeria in particular highlight the need for financial institutions to be more astute at identifying and managing risk.

As prescribed by the CBN Code of Corporate Governance requirement, we strengthened our corporate governance structure. This involved restructuring the Risk and General Purpose Committee of the Board into two separate committees responsible for Risk Management and Credit respectively. The Audit Committee continues to function as originally established. As a result there are now three committees in your board. For the second year running, a Board performance evaluation exercise was conducted by PricewaterHouseCoopers. Even though the report indicates an improvement of our board performance from the previous year we will continue to address identified lapses to ensure continuous improvement in the performance of our Board.

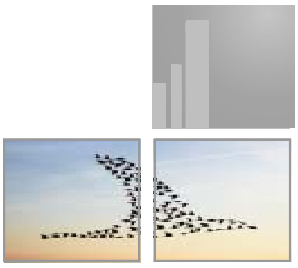
During the year Mr. Aigboje Higo, the pioneer Managing Director of Pensions Alliance Limited (PAL) resigned. Please join me, on behalf of the Board and Management of the FSDH Group, to thank him for his 15 years meritorious service to the Group. We wish him every success in his future endeavours. We also welcome to the Group, the new Managing Director of PAL, Mr. Dave Uduanu, who brings over 19 years of experience in the financial services sector.

Financial Performance

In spite of the gloomy financial and economic environment I am pleased to inform you that the Management of your company was able to rise above these challenges to post significantly improved profits. I would therefore like to seize this opportunity, on behalf of the board and stakeholders of the FSDH Group, to congratulate the management and staff of our company under the leadership of Mr. Rilwan Belo-Osagie for a job well done.

The Group's financial performance for the year under review was impressive. Net earnings for the period was N 7.82 billion up from N4.55 billion reported last year. Profit before tax rose by 58% from N2.74 billion in 2008 to N4.32 billion in 2009. Likewise, Profit after tax increased from N2.36billion in 2008 to N3.85billion for year ended 30 June 2009, representing a growth of 63%. Earnings per share also grew from 84 kobo in 2008 to N1.37k in the year ended 30 June 2009, while Return on Shareholders' Funds rose from 24.55% in 2008 to 29.68% in 2009.

As a result of the turbulence in the capital market, our subsidiaries FSDH Securities Limited and FSDH Asset Management Limited were unable to match the parent company performance. They posted losses of N173.31 million and N166.26 million, respectively. As you are all



...Profit after tax increased from **N2.36billion in 2008 to N3.85billion for year ended 30 June 2009**, representing **growth of 63%.** Earnings per share also grew from **84 kobo in 2008 to N1.37k in the year ended June 30 2009**, while Return on Shareholders' Funds rose **from 24.55% in 2008 to 29.68% in 2009.**

aware, the drop of 53% in the NSE All Share Index in the last year (July 2008 to June 2009) and the ensuing capital market crisis impacted negatively on these subsidiaries' operations and investment portfolios during the period under review.

FSDH Securities Limited witnessed a sharp drop in trading turnover which adversely impacted brokerage commission earned. Also, provisions for margin loan losses and diminution in proprietary trading positions further affected profitability.

FSDH Asset Management Limited, experienced a sharp decline in its Assets under Management (AUM), in addition to the reduction in the values of the three mutual funds managed by the company. This resulted in a significant decrease in commissions and incentive fees earned. However, the strong performance of FSDH more than compensated for these losses.

I am happy to report, as predicted last year that our third subsidiary Pensions Alliance Limited (PAL) is now in profit. The company posted a profit before Tax of N40.02 million. With pension assets growing on a monthly basis, we believe that the outlook for PAL is very bright.

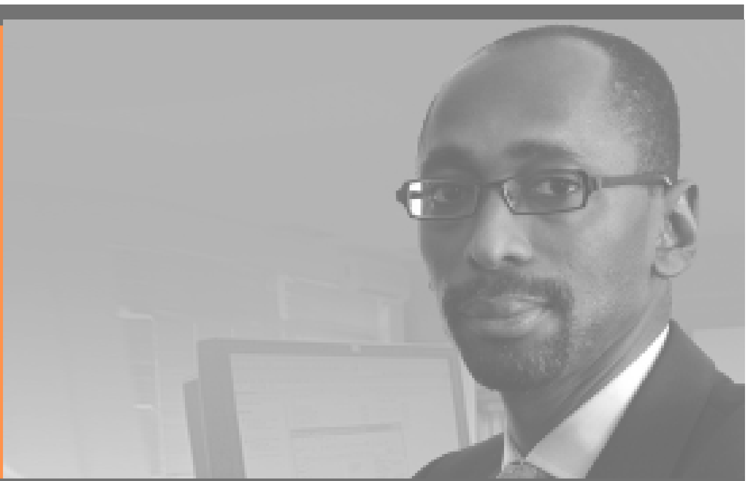
Dividend

The Board of Directors is recommending the sum of N978.18 million as dividend payment for the year ended June 2009. This amount translates to 35 kobo per share. Your approval as shareholders is hereby sought. If this approval is granted this will represent a 40% increase over the dividend of 25 kobo per share paid last year.

Outlook

The effects of both the global economic crisis and the crisis in our domestic capital and money markets will take time to abate. However there are indications that things should start to improve soon. The appointment of the new CBN Governor and his pronouncements and actions so far should bring positive change to the banking industry, (a major sector in the Nigerian Stock Exchange), even though the process may be painful.

We at FSDH will continue to look for new ways of doing what we do better while taking on only risks we fully understood and can quantify. We are aware that we can never be all things to all people. Our intention is to remain true to our investment banking suite of innovative offerings. We believe that this will ensure that we continue to be the specialist financial institution of choice to our clients.



It is pertinent for me to mention at this point that our next accounting period will only cover six months to December 31, 2009. This is as a result of the CBN's endorsement of the Bankers' Committee agreement for all Deposit Money Banks and Discount Houses to observe December 31 from 2009 as a uniform year end.

Finally I would like to thank all our stakeholders for their continued support and patronage and assure you of our determination to continue to provide high quality service to all of you.

Thank you.

Ibrahim Dikko
Chairman

PRICEWATERHOUSECOOPERS

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Private & Confidential

28 July 2009

The Chairman
Board of Directors
First Securities Discount House Limited
Niger House (6th floor), 1/5 Odunlami Street,
Lagos

Dear Sir,

Report to the Directors of First Securities Discount House Limited on the outcome of the Board Evaluation

PricewaterCoopers was engaged to carry out an evaluation of the Board of Directors of First Securities Discount House Limited as required by Section 5.4 6 of the Central Bank of Nigeria's Code of Corporate Governance for Banks in Nigeria ("the Code") . Section 5.4.5 of the Code requires that the review should cover all aspects of the Board's structure and composition, responsibilities, processes and relationships for the period ended 30 June, 2009.

We conducted our work in accordance with the International Standard on Assurance Engagement (ISAE) 3000. This Standard required that we comply with ethical requirements, plan and perform the assurance engagement in order to obtain limited assurance as to whether any matters come to our attention that cause us to believe that the requirements of the Code have not been complied with all material respects.

The Board is responsible for the preparation and presentation of information relevant to its performance. Our responsibility is to reach a conclusion on the board's performance based on work carried out within the scope of our engagement as contained in our letter of engagement of 18 May, 2009. In carrying out the evaluation, therefore, we have relied on representation made by members of the board and management and on the documents provided for our review.

On the basis of our limited assurance review. It is conclusion that nothing has come to our attention which causes us to believe that the board's performance does not comply in any material respect with the criteria set out in the Code. We have recommended that there is a need to set and agree annual objectives for individual directors and to establish formal succession plan. Other recommendations are contained in our detailed report.

Yours faithfully
For: PricewaterhouseCoopers

Ken Igbokwe
Managing Partner