**CHAIRMAN’S STATEMENT**

Fellow shareholders, distinguished ladies, and gentlemen, on behalf of the Board of FSDH Holding Company, I am pleased to welcome you all to our Annual General Meeting (AGM). This is our first AGM, and it is taking place in an unusual year amidst the unprecedented global struggle to contain the COVID-19 pandemic.

FSDH Holdco commenced operations on 1 July 2019, and we set out on this ambitious vision of becoming Africa’s leading financial asset aggregator with a smart Pan-African footprint. Our mission is to improve outcomes for our customers and subsidiaries while delivering value for our shareholders.

**Global Economy and the COVID-19 Pandemic**

The global economy has been slowed down by the COVID-19 pandemic as economies were brought to a halt by lockdowns and social distancing measures. The International Monetary Fund (IMF), in its World Economic Outlook (WEO), forecasts a contraction in growth by 4.9% in 2020 and a gradual recovery in 2021 at 5.4%. All regions in the world will experience a downward trend in growth apart from China that is anticipated to grow by 1% in 2020. There has been a significant disruption in supply chains in key sectors across the globe. Advanced economies led by the United States (US) and the Euro Area, are expected to drive the decline in global economic growth. The economies of the European Union (EU) and the United Kingdom (UK) contracted by -2.6% and -2.0% in the first quarter of 2020. Growth in Sub-Saharan Africa (SSA) for 2020 was further revised downwards from -1.6% to -3.2% due to the effect of lockdowns on economies in the region. Major oil-producing countries such as Nigeria and Angola have been worst hit by the pandemic as global demand for oil reached its lowest levels. SSA is expected to recover with a growth of 3.4% in 2021, with Nigeria and South Africa projected to expand by 2.6% and 3.4%, respectively.

There has been a gradual pick up of economic activity since April, with China being the first economy to ease the lockdown. Crude oil price experienced improvements in April & May 2020 as demand increased coupled with the OPEC cuts. Brent crude price stabilized at around US$40 per barrel in June. In addition to improved demand, historic OPEC cuts had a significant positive impact on price movement in June.

**Challenging Economic Environment**

On the domestic front, Nigeria has been facing a challenging macroeconomic environment from the beginning of 2020, and this is made worse by the global pandemic. Nigeria recorded a GDP growth of 1.87% in the first quarter of 2020. This represents the lowest growth rate since the third quarter of 2018. The slow pace of economic expansion was a result of the restriction of economic activities and social distancing policies that were implemented to control the spread of COVID-19.With the dual impact of the pandemic and the oil price crash, expected growth will contract significantly in 2020. The IMF forecasts a contraction in growth by 5.4% for the Nigeria Economy. Our FSDH research projections show a worst-case scenario with a decline in growth by 5.9% this year if the COVID-19 pandemic is not contained, and the FG/CBN stimulus measures are not fully implemented. The spread of the COVID-19 pandemic continues to constrain economic activities, driving up average general prices in the country. The headline inflation rate for May 2020 stood at 12.4% year-on-year, the highest in 25 months since April 2018.

Major industrial sub-sectors such as construction and manufacturing recorded slower growth rates due to gathering restriction, social distancing policies, and revenue constraints faced by the Nigerian government. Growth in the agriculture sector slowed to 2.2% and the services sector recorded the lowest increase in the quarter at 1.6%. In addition, Nigeria’s trade balance continued in the negative territory in the first quarter of 2020.

**Investor Confidence**

Currently, the one single determinant of investor confidence is the foreign exchange policy. The oil price crash has caused a decline in revenues, and this has resulted in dollar shortages. Despite the reprieve of US$ 3.4 billion provided by the IMF relief support, the external reserve position remains precarious, and the pressure on the Naira has increased as dollar scarcity dampens investor sentiment.

Following the outbreak of COVID-19, Forex inflows reduced significantly on the back of lower Foreign Portfolio inflows. FPI inflow declined to US$27.2 million in June 2020 from US$2.04 billion in January 2020. From mid-March, the exchange rate faced significant pressure in the I&E window. This pressure stemmed from declining external reserves and falling crude oil prices. In April and May, total inflows to the I&E Window dropped from US$3.19 billion in January to US$459.2 million in April and US$492 million in May 2020. FX Inflows dipped further to US$248 million in June 2020. In early July, the CBN adjusted the exchange rate in the Secondary Market Intervention Sales (SMIS) – a window where importers access foreign currencies – from N360/$1 to N380/$1. As contained in the Economic Sustainability Plan (ESP), which was launched in June as the government’s response to the COVID-19 pandemic, part of the monetary measures to support the economy is the unification of exchange rates.The further devaluation of the Naira may be imminent.

Other factors affecting investor confidence include the policies by the Central Bank that have implications for the banking industry, including the increase in the Cash Reserve Ratio to 27.5% at its last Monetary Policy Committee meeting, and this comes on the heel of the increase in the Loan Deposit Ratio to 65% from 60%. This is likely to lead to deteriorating asset quality, and higher levels of non-performing loans as Banks struggle to meet these new regulatory requirements.

**The Volatility of the Equity Markets**

The Nigerian Stock Exchange reversed the gains recorded in the wake of the year. The NSE-ASI fell to a record low of 20,669.38 index points on 6 April, representing a -23% Year-to-Date (YTD) change as investors lost about N2.2 trillion. As at 30 June 2020, the NSE-ASI reached 24,479.16 or an 18.4% return. The market recovery was largely motivated by investors’ bargain hunting, taking positions on dividend-paying stocks, and finding a way to reap off the liquidity situation. Given the challenges brought on by the impact of the COVID-19 pandemic, foreign participation continued to decline. Participation from foreign players is more of a capital flight than investments in the exchange; however, this has slowed down in recent months. Domestic investment continues to dominate foreign counterparts.

**Our Strategic and Financial Imperatives**

When we restructured the Group into a Holding Company, we wanted to empower each business to focus strictly on its respective core operations, while allowing the Holdco to guide the Group in pursuing an expanded business model, through both organic and inorganic approaches.

As a company, our vision has not changed. We remain focused on being market leaders in all the sectors we compete in. We have set for ourselves, the lofty goals to become one of the top 3 financial aggregators in Nigeria by 2024, a knowledge-based financial advisor of choice and the gateway for critical macro and micro information from our outsourced research platform.

In line with the overall restructuring, we have made some strategic hires in the last several months. In our Pensions business, we’ve brought in a new CEO, Mr. Funso Doherty - an individual with a record of success, and someone we believe will lead Pensions Alliance Limited to become one of the top 3 institutions in the pensions industry in the next couple of years. Further, we appointed Mr. Tolu Osinibi to lead FSDH Capital Limited. It was imperative to us that the Group has an entity specifically focused on advisory, organizing financing, and creating mandates. While we are well along in our restructuring, there are some additional changes to expect and although some people might worry about all the changes going on in the organization, I firmly believe that we are on the right path. The comments I made 18 months ago are as relevant today, if not more, as they were then:

**“In today’s world, paradoxically, it is the boldest action that is often safest. Remaining where you are in a world that is changing so rapidly is in fact the most dangerous of all places to be in.”**

As an institution founded in the middle of a crisis, FSDH Group has succeeded by being innovative, and consistently being ready to take measured risks. We intend to continue to expand our businesses meaningfully, and in this regard, there are some strategic initiatives underway that will materially change the outlook of the Group. These initiatives are mainly in our Pensions Fund Administration business and our financial technology offerings.

The initiatives will require capital investments that could have implications for dividends in the near term but will ultimately bolster the strength and outlook for the Group. In light of these capital needs, we will be purposeful in managing expenses and creative in leveraging the collective advantage of our Group structure.

**2019 Financial Performance**

The Group's total assets increased by 30% from ₦125billion as at 31 December 2018, to ₦163billion as at 31 December 2019, as a result of growth in some key business activities. The significant growth lines in total assets are loans & advances to customers (₦5.0billion), which closed at ₦45.8billion, trading securities (₦1.5billion), investment securities (₦8.4billion) and pledged assets (₦24.3billion).

Total liabilities increased by 41% from ₦91billion as at 31 December 2018, to ₦128billion as at 31 December 2019. The key liability lines due to banks and other financial institutions grew by 483% while deposits from customers increased from ₦46.5billion to ₦54.6billion, translating to a growth of 17% year-on-year.

Total Shareholders’ funds stood at ₦34.32billion.

The Group achieved gross earnings of ₦25.62billion for the financial year ended 31 December 2019, which is 10% above the ₦23.25billion reported for the prior year. This growth was primarily due to an increase in interest income and our trading revenue. For the period, the Group’s net interest income grew by 13% from ₦5.41billion in 2018 to ₦6.10 billion in 2019, while non-interest revenue also increased by 13% from ₦7.55billion in 2018 to ₦8.55billion in 2019, which is attributable to the growth in trading revenue mentioned earlier.

The Group’s Profit Before Tax (PBT) however, declined by 15% year-on-year in 2019 to ₦5.76billion, on the back of an increase in operating costs and high impairment write-back recorded in 2018 not available in 2019. The Group’s Profit After Tax (PAT) also declined by 32% to ₦3.64billion attributable to the same reasons, coupled with a higher income tax charge for 2019.

FSDH Holdings, the new parent company which commenced operations in July 2019, recorded a PBT of ₦1.1billion for the year. This was principally from the interim dividends received from its banking and pension fund administration subsidiaries for the period ended September 2019.

Based on this performance, your directors have recommended subject to your approval, a dividend of 50kobo per share amounting to a total of ₦1billion for the financial year ended.

**Outlook**

In the coming year, FSDH Holdings intends to guide the Group to exciting new heights while paying particular attention to gender equality, diversity, the growth of young leaders across the Group, and giving back to society through our corporate social responsibility initiatives.

My deepest gratitude goes to all the loyal FSDH customers for embracing the many winds of change with us. I would also like to thank all our regulators across the board, for their essential support and our mutually beneficial working relationships. To all FSDH employees, my sincere appreciation for the exceptional performance especially in these difficult times. Please rest assured that the organisation stands ready to support you and your family should the need arise.

Finally, I thank my fellow board members for taking on this new level of responsibility.

Thank you,

Hakeem Belo-Osagie