

Earnings Release

6 August 2013

SHUAA reports Q2 profit

- » **Net Profit of AED 1.3m in Q2 2013 compared to AED15.9m loss in Q2 2012**
- » **Investment Banking, Asset Management, Capital Markets and Lending are profitable**
- » **Revenues up 95% to AED 43.4 million, from AED 22.2m in Q2 2012**
- » **Interest Income up 18% to AED 25.2m, from AED 21.4m in Q2 2012**
- » **Total Expenses reduced by 18% to AED 41.2m, Q2 2012 was AED 50.3m**
- » **Cost/Income Ratio improved to 94%, compared to 201% in Q2 2012**
- » **Balance sheet remains strong with Total Assets of AED 1.4bn**
- » **Strong liquidity position underpinned by AED 241m in cash**

SHUAA returned to profit in Q2 2013, driven by revenue growth in asset management, investment banking and lending divisions and higher fees, commissions and interest income. Net Profit for Q2 2013 was AED 1.3 million, up from loss of AED 5.9 million in Q1 2013 and loss of AED 15.9 million in Q2 2012 respectively. SHUAA's strategy of implementing a financial, strategic and operational turnaround has succeeded in turning a profit for the first time in two years. It also places the second quarter's earnings in line with the Company's expectations and earlier earnings guidance.

Total interest income is up 12% to AED 25.2 million and net fees and commissions are up 44% to AED 9.7 million over the prior quarter, driven by revenue growth in asset management (AED 4.9 million), investment banking (AED 2.0 million) and lending (AED 24.5 million). This has resulted in a 20% jump in total revenue to AED 43.4 million versus Q1 2013 revenues of AED 36.2 million. SHUAA's balance sheet remains strong with total assets of AED 1.4 billion as of 30 June 2013, including AED 241 million in cash, despite further deployment of AED 183 million of capital to the lending businesses, which now stands at AED 697 million, as well as a slight reduction in liabilities to AED 265 million.

HH Sheikh Maktoum Hasher Al Maktoum, Executive Chairman of SHUAA Capital, commented: "SHUAA has continued to make good progress in the second quarter and this underlines our systematic approach towards generating long term sustained profitability. The second quarter result continues to be in line with our 2013 earnings guidance. The engine room, centred on our market leading SME lending business, has performed well as we have continued to deploy our balance sheet lending to companies both in the UAE and in Saudi Arabia, where there is

significant demand for secured asset backed lending. We are also pleased with the progress of our other businesses. Even if there continues to be limited equity capital markets activity we expect the full impact of our investments in the Capital Markets business, Credit initiatives and the further development of our Asset Management platform to augment and stabilise earnings in the quarters ahead.”

Segmental Information

Lending

The Lending division recorded revenues of AED 24.5 million (Q2 2012: AED 18.1 million) and a profit of AED 1.1 million (Q2 2012: AED 1.2m). Revenues were up 35% as interest income and fees increased in-line with lending, spurred on by Gulf Finance and the opening of Gulf Installments in Saudi Arabia. This helped offset increases in operating expenses and allowed profits to remain steady.

Asset Management

The Asset Management division booked revenues of AED 4.9 million (Q2 2012: AED 4.5m) and a profit of AED 2.5m (Q2 2012: loss AED 0.1m). Whilst Assets under Management remained relatively stable at AED 697 million (Q2 2012: AED 702m), profits rose due to a combination of higher fees and commissions and a halving in G&A expenses.

The Gulf region’s stock exchanges have been some of the best performing markets in the world in 2013, despite the continuing political and economic uncertainty being faced by countries such as Egypt and Syria. Led by the DFM and ADX, UAE stocks recently hit a five-year high powered by fresh optimism on corporate earnings and on-going economic resilience. This has resulted in SHUAA’s two principal funds – Arab Gateway Fund and Emirates Gateway Fund – generating a 24% and 60% return, year to date [net asset value as of 23 July 2013]. Both are outperforming their respective benchmarks.

Capital Markets

An increase in net fees and commissions could not offset a drop in interest income, resulting in the Capital Markets division posting revenue figures of AED 1.7 million for the quarter (Q2 2012: AED 1.9m). Profits were also lower at AED 0.3 million (Q2 2012: AED 1.1m) as the division continued to incorporate the expansion of its sales and trading business in fixed income and thus booking higher operating expenses this quarter.

Investment Banking

The Investment Banking division booked revenues of AED 2.0 million (Q2 2012: AED 3.8m) and profits of AED 0.3m (Q2 2012: AED 1.5m), both down significantly due principally to the drop in

fees and commissions as the equity capital markets continues to have limited impact despite the resurgence in the local stock exchanges. The team continues to work on mandates and are hopeful in showing a stronger performance in the second half of the year.

Brokerage

The discontinued Retail Brokerage business continues to record a quarterly profit, posting AED 1.4m this quarter (Q2 2012: loss 4.6m) even though the division has been closed and no transactions took place. The profit originates from a continual drop in G&A expenses to AED 1.2m (Q1 2013: AED 1.8m) and provision reversals of AED 2.6m (Q1 2013: AED3.0m).

Credit

The Credit division, which is still in the build-up phase, did not record any revenues in the quarter ending 30 June 2013. During the second quarter, the division posted a net loss of AED 1.8 million.

Corporate

The Corporate division recorded revenues of AED 10.2 million (Q2 2012: loss AED 7.3m). A surge in gains from investments in SHUAA managed funds, a drop in G&A expenses and a provision reversal of AED 4.4m, resulted in a major lift towards profitability, with the division posting a minor loss of AED 2.5m (Q2 2012: loss AED 13.8m).

Ends

Cautionary Statement Regarding Forward-Looking Information

This document contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Forward-looking statements can be identified by words such as: "anticipate," "aspire," "intend," "plan," "goal," "objective," "seek," "believe," "project," "estimate," "expect," "forecast," "strategy," "target," "trend," "future," "likely," "may," "should," "will" and similar references to future periods.

Examples of forward-looking statements include, among others, statements we make regarding:

- *Expected operating results, such as revenue growth and earnings.*
- *Anticipated levels of expenditures and uses of capital*
- *Current or future volatility in the capital and credit markets and future market conditions.*

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: Our ability to maintain adequate revenue levels and cost control; economic and financial conditions in the global markets and regional markets in which we operate, including volatility in interest rates, commodity and equity prices and the value of assets; the implementation of our strategic initiatives, including our ability to effectively manage the redeployment of our balance sheet and the expansion of our strategic businesses; the reliability of our risk management policies, procedures and methods; continued volatility in the capital or credit markets; geopolitical events; developments and changes in laws and regulations, including increased regulation of the financial services industry through legislative action and revised rules and standards applied by our regulators.

Any forward-looking statement made by us in this document and presentation is based only on information currently available to us and speaks only as of the date on which it is made. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. We undertake no obligation to publicly update any forward-looking statement whether as a result of new information, future developments or otherwise.

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SHUAA Capital psc ('SHUAA') offers client-centric, fully integrated financial services. SHUAA, headquartered in Dubai, United Arab Emirates, services corporate and institutional clients as well as family businesses and high-net-worth-individuals with expertise in the areas of asset management, investment banking advisory services, capital markets and credit. SHUAA was established in 1979 by Emiri decree No. 6. SHUAA is a public shareholding company, regulated as a financial investment company by the UAE Central Bank, and its stocks are listed on the Dubai Financial Market. www.shuaa.com

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