

Earnings Release

14 May 2013

SHUAA Reports Q1 2013 Results

- » **First quarter 2013 results are in line with market guidance for 2013**
- » **Improving bottom line** with net loss reducing 31% to AED 5.9m in Q1 2013 from net loss of AED 8.5m in Q1 2012, and 71% improvement versus Q4 2012 net loss of AED 20.7m
- » **Q1 2013 operating expenses** reduced by 33% to AED 40.7m from AED 61.1m in Q1 2012, principally due to successful completion of restructuring program
- » **Cost/income ratio** stands at 112%, a significant reduction from 148% in Q4 2012
- » **Revenues of AED 36.2m** down from AED 55.0m in Q1 2012 mainly due to movement in SHUAA managed funds. Revenues were up 44% from AED 25.2m in Q4 2012
- » **Total assets** remain steady at AED 1.3bn and total liabilities fell to AED 203m from AED 269m at 2012 year-end
- » **Asset Management** improved performance year on year with a rise in AUMs to AED 719m from AED 688m in Q4 2012
- » SHUAA successfully established Gulf Installments Company, providing Sharia compliant installment and lease financing business in Saudi Arabia

SHUAA has started the year well, reporting the best bottom line result since June 2011. The financial impact of the turnaround programme is evident in the consistently improving bottom line. Revenues were AED 36.2 million down from AED 55.0 million on the same period in 2012, reflecting lower investment returns on SHUAA managed funds and the expected drop in fees and commissions following the decision to cease operations of the unprofitable retail brokerage business in 2012. Expenses were down significantly year on year as the cost reductions in 2012 have taken full effect. General and administrative expenses fell to AED 37.7 million (Q1 2012: AED 54.9 million). The year-on-year total expense reduction of 37% to AED 39.1 million contributed to the overall improvement of the bottom line and places SHUAA on the right trajectory to achieve its 2013 earnings guidance.

SHUAA's balance sheet remains strong with total assets at AED 1.3 billion (Q4 2012: AED 1.4 billion) with good liquidity. Total loans and advances increased to AED 635.2 million (Q4 2012: AED 562.4 million), validating the strategy of redeploying non-core assets to Lending. Loans and advances related to the SME Lending business have increased 18% to AED 607.6 million from AED 513.9 million in Q4 2012. Total liabilities reduced to AED 202.6 million from AED 269.4 million in the Q4 2012. SHUAA's debt/equity ratio now stands at only 7%.

SHUAA has restated the segmental information in its financial statements to enhance transparency and disclosure related to its activities in continuing operations such as investment banking and capital markets and the discontinued retail brokerage business, which ceased operation in January 2013.

HH Sheikh Maktoum Hasher Al Maktoum, Executive Chairman of SHUAA Capital, commented:

“The reported result is consistent with our earnings guidance for 2013 and reveals the progress we have made on the strategic initiatives that were launched in 2012 to reduce our cost structure and expand our earnings capabilities through redeployment of our balance sheet.

Last year, we focused on liquidating non-core assets to generate cash and reduce liabilities. The year 2013 will be marked by investments in growth and positioning SHUAA for the market recovery, underpinned by our strong balance sheet and established brand. Compared to last year’s first quarter we have increased the amount we lend to SMEs by 40% through Gulf Finance Corporation in the UAE and the newly established Gulf Installments Company in Saudi Arabia. SME lending generated AED 151.7 million of new loans, a 76% increase year on year. The full impact of increased lending activity will become visible in the second half of 2013.

Group-wide expenses were reduced by 37% to AED 39.1 million, which is 8% ahead of our announced target run rate of 42.5 million per quarter. The net loss of AED 5.9 million is clear evidence of a consistent trend of reducing earnings volatility and improving our bottom line. We are now focused on enhancing our revenue generation capabilities in asset management and investment banking where opportunities are starting to emerge as global investors are re-engaging with GCC markets. “

Rising confidence and interest in the SHUAA story is evident in a sharp rise in trading activity. During the first quarter of 2013, investors traded 136.2 million SHUAA shares, compared to 109.9 million shares traded during the entire year 2012.

Segmental Information

Lending

The Lending division booked quarterly revenues of AED 20.9 million (Q1 2012: AED 17.9 million) and a profit of AED 2.6 million (Q1 2012: AED 3.7 million). Revenues were up as interest income rose over 18% but profits fell by a third, due to higher operating expenses resulting from the opening of Gulf Installments in Saudi Arabia and an increase in provisions.

During the first quarter, Lending was able to generate AED 151.7 million of new loans, a 76% increase over AED 86 million of new business generated in Q1 2012.

At the end of the first quarter 2013, the loan portfolio consisted of manufacturing (23.6%), Logistics (17.8%), Power, Oil, Gas & Water (15.6%), Printing & Media (9.6%), Marine (8.1%), Healthcare (4.7%) and other sectors (20.7%).

Asset Management

The Asset Management division recorded revenues of AED 4.1 million in the first quarter 2013 (Q1 2012: AED 4.5 million), marginally down year on year. The division, however, improved its assets under management to AED 719 million and cut its operating expenditure significantly, enabling it to post a quarterly profit of AED 0.8 million (Q1 2012: loss of AED 2.9 million).

The two principal funds continued to outperform their respective benchmarks. The Arab Gateway Fund generated 10.40% return and the Emirates Gateway Fund reported a gain of 26.20% in Q1 2013 [net asset value date: 26 March].

The Emirates Gateway Fund was awarded 'UAE Equity Fund of the Year 2012' by MENA Fund Manager. It delivered a 30.94% annual return, 3.85% ahead of the S&P UAE Composite Index.

Capital Markets

A slight drop in fees and increase in operating costs saw Capital Markets record quarterly revenues of AED 1.9 million (Q1 2012: AED 2.1 million) and a profit of AED 0.4 million (Q1 2012: AED 1.1 million).

Recently, SHUAA has further expanded its sales and trading business with fixed income facilitation trading. This enables SHUAA to provide firm pricing on GCC corporate and government bonds - both conventional and Shariah-compliant - for its institutional clients. The fixed income market has grown strongly in recent years and the outstanding tradable issuance volume in the GCC is now estimated to be over AED 500 billion¹.

Investment Banking

Investment Banking recorded revenues of AED 0.1 million (Q1 2012: AED 0.3 million) and a net loss of AED 2.0 million (Q1 2012: loss of AED 3.3 million). The investment banking team continues to see increasing evidence of client activity and is working on a number of mandates in the UAE and Saudi Arabia.

Brokerage

Brokerage recorded revenues of AED 0.2 million (Q1 2012: AED 4.7 million). The drop in revenues is attributable to the closure of the retail brokerage department in January 2013. The

division reported a quarterly profit of AED 1.4 million (Q1 2012: AED 6.5 million) principally due to the drop in G&A expenses year-on-year by over AED 5.0 million to AED 1.8 million and a provision reversal of AED 3.0 million.

Corporate

The Corporate division recorded revenues of AED 8.9 million (Q1 2012: AED 25.4 million). This was principally due to a significant gain from investments in SHUAA managed funds. A drop in interest income was offset by over 50% drop in total expenses to AED 15.1 million, the majority of which came from a reduction in G&A expenses. Overall the division recorded a loss for the period of AED 9.2 million (Q1 2012: loss of AED 13.7 million).

¹ Source: Bloomberg

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,

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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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