

News Release

11 November 2012

SHUAA third quarter 2012 results confirm financial and strategic trend

3Q 2012 highlights:

- » **3Q12 Revenues up 114% to AED 34.9 million** from AED 16.3 million in 3Q11, mainly due to increases in interest income and the positive performance of SHUAA managed Funds
- » **Major operational improvement with 3Q12 Net Loss of only AED 13.9 million compared to** a net loss of AED 156.2 million in 3Q11; in line with FY 2012e market guidance.
- » **48% reduction of Total Expenses to AED 48 million**, compared to AED 93 million in 3Q11
- » **3Q12 Operating Expenses down 20% to AED 46.7 million** from AED 58.7 million in 3Q11
- » **Cost/ Income Ratio improved by 63% to 134%** from 360% in 3Q11

9M 2012 interim results:

- » **Revenues rose 42% to AED 112.1 million** from AED 79.2 million in 9M 2011
- » **Net Loss reduced by 79% to AED 37.6 million** from AED 181.9 million in 9M 2011
- » **Total Expenses down 28% to AED 160.1 million** from AED 223.0 million in 9M 2011

Balance Sheet

- » **Strong Balance Sheet with Total Assets of AED 1.4 billion**, down 11% compared to Dec 2011
- » **Cash and Deposits with Banks of AED 343.6 million**, up 1% compared to Dec 2011
- » **Liabilities reduced to AED 298.1 million**, down 32% compared to Dec 2011
- » **Bank debt down to AED 158.9 million**, down 42% compared to Dec 2011
- » **Cash net of Debt is up 187% to AED 184.7 million** from AED 64.3 million in Dec 2011
- » **Total Shareholder's Equity stood at AED 1.1 billion**

SHUAA today reported 3Q revenues of AED 34.9 million (3Q 2011: AED 16.3 million), underpinned by returns from SHUAA's lending business, asset management and from investments in SHUAA managed funds. While SHUAA recorded an overall loss for the 3Q period of AED 13.9 million (3Q 2011: loss AED 156.2 million), the third quarter saw a major improvement over the prior year.

During the nine month period ended on 30 September 2012, the Group recorded a reduced loss of AED 38.3 million (9M 2011: loss of AED 181.9 million), principally due to a rise in 9M 2012 revenues to AED 112.1 million from AED 79.2 million in 9M 2011. The rise in revenues was supported by gains from Other Investments of AED 10.4 million compared to losses of AED 38.0

million in 9M 2011. The reduced loss was supported by 9M 2012 total expenses, which saw a substantial drop to AED 160.1 million (9M 2011: AED 223.0 million).

SHUAA's balance sheet remains strong with total assets of AED 1.4 billion. The Group retains a healthy cash balance of AED 343.6 million at the period end, up 26% from AED 272.2 million at the end of June 2012. Liabilities were further reduced by AED 31.0 million to AED 298.1 million at the end of the third quarter 2012.

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

"The third quarter results prove that we took the right decisions to reduce our cost base against the uncertain market environment, exit non-core businesses and investments, focus on liquidity management, and reduce the volatility in our asset base. We have a clear plan to reach profitability and I am pleased that we continue to move in the right direction.

Our strategy implementation is making good progress. We are transforming SHUAA to a fully integrated investment banking services platform to meet the demands of our client base, redeploying our balance sheet while maintaining cost and risk control. We have already begun to expand our Credit offering and are managing for profitability in our equities businesses.

The response from our shareholders, our banking partners and the wider market to our new strategic direction has been overwhelmingly positive. It is early days, but as a team we have become energised and united behind our strategy. We have set ourselves challenging but realistic targets to act as milestones for our recovery and we look forward to achieving these aspirations."

New strategic, operational and financial roadmap

Following the period end, on 3 October 2012, SHUAA unveiled its new strategic, operational and financial road map to shareholders and the wider market which included a presentation attended by government officials, CEOs of banks and industry.

SHUAA will see a transformation of the Group into a client-centric, fully integrated provider of investment banking services, adding an expanded Credit offering to its existing Asset Management, Investment Banking and Capital Markets platform. Central to the new strategy will be the deployment of SHUAA's balance sheet to capture growth opportunities in the credit space. SHUAA's Credit division will offer access to capital and liquidity solutions to the private sector and provide investors access to new credit investment strategies that are otherwise unavailable in the GCC. SHUAA already has a very successful asset-based lending business, Gulf Finance Corporation. The new strategy widens the credit offering and builds on its strong SME franchise.

SHUAA will continue to maintain a diversified equities platform underpinned by its Capital Markets, Investment Banking and Asset Management divisions. SHUAA has a solid track record in these areas and the market downturn has forced many competitors to close or retrench, leaving SHUAA well positioned for the next equity cycle. Asset Management will continue to attract clients through its strong fund platform and superior performance, as well as launch new products in collaboration with SHUAA Credit. Investment Banking will broaden its capability to include debt advisory services.

As part of the strategy, the Firm implemented a systematic rightsizing program which has significantly reduced overall business running costs. Consequently, SHUAA has improved operating efficiency reducing cash outflow from AED 10.2 million per month in 2011 to AED 4.0 million per month by the end of 9M2012. This is expected to be reduced further to AED 3.5 million per month by the end of the current financial year; overall a target reduction of 67%. Annualized group operating expenses are expected to run at an average of AED 42.5 million a quarter, including Gulf Finance, for the remainder of 2012 and 2013. Group operating expenses were AED 46.7 million in 3Q 2012, a major reduction on previous years.

SHUAA has issued market guidance on short term results. The target net loss for 2012e will be between AED 40 and 60 million, and the management estimate for 2013 is to generate between a net profit of AED 6 million and a net loss of AED 18 million. Management will seek to continue to drive down operating expenses, where possible, towards the goal of bringing the Firm's target cost/income ratio to 75% by the end of 2014 and return on equity of 4.4% in 2014 and 7.5% in 2016.

Segmental Information

Lending

SHUAA's lending division recorded 3Q 2012 revenues of AED19.6million (3Q 2011: AED 16.8million) and a profit of AED 1.9 million (3Q 2011: AED 10.6million). The drop in profitability was due to the expansion of activities and capabilities of SHUAA's asset finance business, Gulf Finance Corporation ('GFC'), in UAE and Saudi Arabia. In the nine months period, revenues were AED 55.6 million (9M 2011: AED 43.0 million) and profits were AED 3.8 million (9M 2011: AED18.0 million).

Asset Management

The Asset Management business, which manages SHUAA's investment funds, private equity funds as well as discretionary portfolio mandates recorded 3Q 2012 revenues of AED 4.7 million (3Q 2011: AED 4.7 million) with a net profit of AED 2.4 million (3Q 2011: AED 0.9 million). In the nine months period, revenues were AED 13.8 million (9M 2011: AED 17.5 million) and the division recorded a loss of AED 0.4 million (9M 2011: profit of AED 2.6 million). This was impacted by the closure of SHUAA Partners Fund 1, which had successfully generated an IRR of 7.6% over its vintage period, from 2005 to 2012.

SHUAA's flagship funds the Arab Gateway Fund and Emirates Gateway Fund continued to outperform peers and benchmarks, the latter retaining its top ranked position.

Investment Banking

The Investment Banking business continues to advise on a number of mandated transactions which will be launched as markets recover. The sales and trading desk continued to deliver consistent revenues with 3Q 2012 revenues of AED 1.1 million (2Q12: AED 1.9 million).

Overall the Division recorded 3Q revenues of AED 1.3 million (3Q 2011: AED 0.6 million) and an improved loss position of AED 1.4 million (3Q 2011: loss of AED 9.3 million). In the first nine months of the year, revenues were AED 9.3 million (9M 2011: AED 6.2 million) and the division recorded a minor loss of AED 0.7 million (9M 2011: loss of AED 12.0 million).

Brokerage

In the third quarter brokerage recorded revenues of AED 0.9 million (3Q 2011: AED 3.7 million) reflecting a drop in UAE exchange trading volumes over the summer months. However, overall the division was just short of breakeven recording a 3Q loss of AED 0.1 million, a steady improvement from the loss of AED 4.2 million in 2Q and the loss of AED 36.6 million in 3Q 2011. In the nine months period, revenues were AED 7.5 million (9M 2011: AED 17.3 million) and profits were AED 2.6 million (9M 2011: loss of AED 43.0 million) this was supported by AED 9.7 million reversal of provisions.

The Division has completed its restructuring and is fully focused on high net worth and institutional business. Trading from clients has been encouraging despite muted markets and the Division is well placed to continue its momentum.

Corporate

The corporate division recorded revenues of AED 8.5 million (3Q 2011: loss of AED 9.5 million) which included a contribution of AED 5.8 million from SHUAA managed funds (3Q 2011: loss of AED 14.2 million). Overall the division recorded a loss of AED 16.8 million (3Q 2011: AED 121.8 million). In the nine months period, revenues were AED 25.8 million (9M 2011: loss of AED 4.7 million) and losses were AED 43.7 million (9M 2011: AED 147.5 million)

Footnotes:

* Operating Expenses include General & Administrative Expenses, Interest Expenses and Depreciation & Amortization and exclude provisions and impairment charges.

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.

SHUAA Capital psc ('SHUAA') offers client-centric, fully integrated investment banking 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, 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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