

Earnings Release

12 May 2016

FINANCIAL RESULTS FOR Q1 2016

- Total revenues increase 3.2% year-on-year to AED 45.5 million
- Asset Management division profits up to AED 4.5 million
- SME lending records 18.4% increase in revenues to AED 40.6 million, continues to be affected by provisioning in light of deteriorating sector conditions
- Investment Banking losses down by 78.0% year-on-year

SHUAA Capital today announces its Q1 results with an increase in total revenues to AED 45.5 million and a net loss of AED 27.5 million, compared with revenues of AED 44.0 million and a net loss of AED 1.6 million for the corresponding quarter of 2015.

Gulf Finance, the Group's SME lending division, underperformed despite seeing revenues rise to AED 40.6 million due to increased provisioning against bad loans as SMEs continued to suffer from the macro economic impact of low oil prices.

Interest income and net fees and commission grew to AED 38.8 million (Q1 2015: AED 33.0 million) and AED 14.4 million (Q1 2015: AED 9.6 million) respectively, citing an improved operating landscape by each of the Asset Management, Lending and Corporate divisions.

SHUAA's Asset Management division continued to perform remarkably well despite current market sentiments. The division reported an increase in both total revenues to AED 9.4 million and profit to AED 4.5 million, compared to revenues of AED 4.4 million and a profit of AED 0.4 million during Q1 2015. On the other hand, the Investment Banking division was able to bridge losses on a quarterly basis with a Q1 2016 loss of AED 0.3 million as compared to Q1 2015 loss of AED 1.5 million. The division worked on a number of strategic advisory mandates during the first quarter including Gulf Navigation's Mandatory Convertible Bond issuance, and later in April was the sole buy-side financial advisor to Amanat Holdings' acquisition of a 16.02% stake in Madares PJSC.

Abdul Rahman Hareb Rashed Al Hareb, Chairman of SHUAA Capital said, "Despite a challenging first quarter due to the ongoing volatility across markets, we see our business lines adapting to the prevalent head winds, and ensuring recurrent revenues at reasonable levels. Our Asset Management team continues to exceed expectations, and we've already had a good start to the year with our Investment Banking

division completing three strategic advisory transactions for UAE-based firms, one of which is a cross border one. The division continues to work on a number of buy and sell-side advisory transactions expected to be concluded during the rest of the year.

We are committed to balancing decisions about operational efficiencies, enhanced risk-assessment and to seeing our new business development mandate through to fruition. 2016 will continue to be characterized by a cautious growth outlook for everyone in the market.”

SEGMENTAL PERFORMANCE

Asset Management

The Asset Management division reported Q1 2016 revenues of AED 9.4 million (Q1 2015: AED 4.4 million) and a profit of AED 4.5 million (Q1 2015: AED 0.4 million). The division’s real estate and hospitality funds managed by the SHUAA Capital Saudi Arabia team performed well and are already approaching key milestones with two hospitality projects in the Kingdom nearing completion. The division manages the SHUAA Saudi Hospitality Fund I, the Jeddah Centro Fund I, and the Dammam Rayhaan Fund I, all of which focus on projects within the rapidly growing hospitality sector. SCSA also manages the SHUAA Wadi Al Hada Real Estate Fund and the Cayan Real Estate Development Fund I, for the development of a fully integrated residential compound in Riyadh and a residential and serviced apartment complex in Dubai’s Al-Barsha, respectively.

The division’s flagship open-ended funds, the Emirates Gateway Fund and the Arab Gateway Fund recorded quarterly returns of +1.0% and -7.6% respectively.

As of 31 March 2016, Client Assets under Management grew to AED 1,385 million from AED 856 million as of 31 December 2015.

Investment Banking

The Investment Banking team reported quarterly net revenues of AED 1.4 million (Q1 2015: AED 2.0 million) and net loss of AED 0.3 million (Q1 2015: loss AED 1.5 million).

Despite the difficult market conditions, the team successfully closed two advisory mandates: Gulf Navigation’s Mandatory Convertible Bond issuance during the first quarter, and later in April advised Amanat Holdings on its strategic acquisition of a 16.02% stake in Madaares PJSC.

The division is forging ahead with a number of advisory and placement mandates, and continues its active strategic advisory support for SMEs in Dubai via a strategic relationship with Dubai SME a division of the Department of Economic Development.

Lending

Gulf Finance UAE and Gulf Finance Saudi Arabia reported combined net revenues of AED 40.6 million (Q1 2015: AED 34.3 million) and a net loss of AED 17.1 million (Q1 2015: profit of AED 7.3 million). Combined interest income grew 17.3% to AED 38.2 million, while the combined net fees and commissions also grew 38.8% to reach AED 2.5 million, both on a year-on-year basis. Net provisions increased to AED 34.0 million (Q1 2015: AED 5.6 million) affected by a rise in bad loans from the subdued SME sector. Customers and their businesses continue to report difficulties and delays in collecting payments. The division reduced General and Administrative costs to AED 14.8 million (Q1 2015: AED 16.1million) as back office operations were consolidated and enhanced.

As of 31 March 2016, the size of the Gulf Finance UAE and Gulf Finance Saudi Arabia loan portfolios were AED 839 million and AED 220 million respectively, compared to AED 925 million and AED 193 million as of 31 December 2015. Gulf Finance's client base combines a strategic selection of small businesses specializing in the wholesale trade, transportation and manufacturing sectors.

Gulf Finance Saudi Arabia continues to see strong potential in the Saudi market, especially in light of the Government's gradual easing of rules and restrictions for small and medium business owners and entrepreneurs. The company recently inaugurated its new head office in Jeddah, and is arranging for other new office openings during the course of 2016 in Riyadh and Dammam.

Capital Markets

The Capital Markets division reported net revenues of AED 1.4 million (Q1 2015: AED 2.1 million) and a net loss of AED 2.0m (Q1 2015: net loss of AED 0.8m) affected by ongoing volatilities and turbulent markets. The division is continuing to invest in and expand the equity and credit desk's market making capabilities, and is actively working to grow and develop its stock market equity research capabilities.

Corporate

The Corporate division's performance was dragged down as a result of losses from investments in SHUAA managed funds, reporting a AED 12.7 million loss (Q1 2015: loss of AED 7.1m).

The division continues to implement a cost containment strategy to support operational efficiencies, a strategy which has also led to an improvement in the state of its general and administrative expenses.

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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 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

For further information please contact the Public Relations agency:

Brunswick Gulf
+971 4 446 6270
shuaa@brunswickgroup.com

Or contact SHUAA Capital's Corporate Communications department at:

+971 4 3651 872
ccdesk@SHUAA.com
www.SHUAA.com