

Earnings Release

10 November 2016

SHUAA CAPITAL – Q3 2016 Financial Results

- Total revenue grew 42% quarter-on-quarter to reach AED 48.7 million
- Group net loss of AED 35.3 million, driven by lending business provisions
- Non-lending business lines record consolidated net profit of AED3.3 million
- Investment Banking division records AED 4.0 million profits for the quarter
- G & A expenses maintain Q3 2015 levels at AED 32 million

SHUAA Capital today reports financial results for the third quarter ended 30 September 2016.

The third quarter saw total revenues grow to AED 48.7 million, a 42% increase on Q3 2015 when total revenues were AED 34.3 million. Net loss was AED 35.3 million for the quarter as compared to net loss of AED 28.6 million in the corresponding quarter of 2015; non-lending business lines (Investment Banking, Asset Management and Capital Markets) recorded a consolidated net profit of AED 3.3 million. The Group's lending business recorded provisions of AED 46.3 million (Q3 2015: AED 18.1m).

Net fees and commissions were up 52% to AED 13.9 million (Q3 2015: AED 9.2m). Total Interest Income was lower at AED 35.1 million (Q3 2015: AED 42.1m), while ongoing control over General and Administrative expenses maintained Q3 2015 levels at AED 32 million, and in spite of a series of new appointments across the firm. Group total expenses were AED 87.3 million (Q3 2015: AED 61.5m) mainly due to a rise in SME lending related provisions.

While total revenues for the nine month period ended 30 September 2016 edged up slightly to AED 138.7 million (2015: AED 138.1m), net loss for the nine months period was AED 113.6 million (2015: AED 28.6m).

Abdul Rahman Hareb Rashed Al Hareb, Chairman of SHUAA Capital commented, "As volatility across regional markets persists, we remain focused on our strategy of re-aligning and strengthening our business lines through product diversification and the appointment of revenue-driving staff. And while we are beginning to see positive results of this strategy on our core revenue lines, there continues to be stress on our lending division."

Mr. Al Hareb added, "I would also like to emphasize our strong business model in the Saudi market. The first of three hospitality projects has recently been completed and handed over for operations, thus

marking a significant milestone since the firm's foray into the Kingdom. Saudi Arabia remains a vital market for us, and we will continue to pursue strategic growth opportunities there alongside our partners".

Segmental Breakdown

Asset Management Business

SHUAA's Asset Management business, consisting of the UAE-based **Asset Management division** and the real estate private equity fund manager and developer **SHUAA Capital Saudi Arabia**, reported total revenues of AED 5.8 million (Q3 2015: AED 3.3m), a 74% increase quarter-on-quarter and a net profit of AED 0.8 million (Q3 2015: loss of AED 0.4m).

The UAE based Asset Management division which manages the firm's flagship funds the Arab and Emirates Gateway Funds, has made a set of key hires over the course of the quarter and are now working on promising new initiatives which are expected to gain traction in the months to come. The division will soon announce the signing of distribution agreements with leading European Asset Managers as well as the launch of new products and solutions. Assets Under Management (AUMs) in the funds and Discretionary Portfolio Managements (DPMs) have remained stable during the course of Q3.

SHUAA Capital Saudi Arabia which specializes in the real estate sector and runs the SHUAA Saudi Hospitality Fund I, recently completed its first premium hospitality project in Jeddah, with construction works on two more in Dammam and Riyadh well underway.

Capital Markets Division

The Capital Markets division registered an increase in revenues to AED 1.7 million (Q3 2015: AED 0.9m) despite lower traded volumes across the markets and recorded a net loss of AED 2.6 million (Q3 2015: loss of AED 2.8m). The division, helped launch the Single Stock Futures Market with Nasdaq Dubai on 1 September 2016, for which SHUAA is the first and only market maker for the nine listed stocks. This joint initiative with Nasdaq Dubai is in-line with the Group's drive towards diversification and innovation, and serves to contribute to the development of the UAE markets and economy at large. Over the past quarter, the Equities Research team has also increased its scope, by covering the Saudi Petrochemicals sector and initiating coverage on the Kuwaiti consumer sector, and will be looking to expand its geographical and sectorial coverage in the coming quarters.

Investment Banking Division

The Investment Banking division reported doubling of revenues to AED 6.1 million (Q3 2015: AED 2.9m), and recorded net profit of AED 4.0 million (Q3 2015: AED 0.04m). During the third quarter, the division successfully closed sell-side advisory transactions for UAE based entities, and is currently in the process of executing a number of Merger & Acquisition advisory mandates.

Lending Business

SHUAA's Lending Business, consisting of Gulf Finance UAE and Gulf Finance Saudi Arabia recorded lower consolidated revenues of AED 29.2 million, down 33% from AED 43.5 million in Q3 2015. The division set aside provisions totaling AED 46.3 million (Q3 2015: AED 18.1m) as the SME sector experiences ongoing macro-economic pressures.

Corporate Division

SHUAA's Corporate division which is the backbone of the client facing business divisions recorded revenues of AED 5.9 million (Q3 2015: loss of AED 16.3m). The division posted a net profit of AED 1.1 million as opposed to a net loss of AED 28.2 million in the corresponding period of 2015, and further lowered General and Administrative expenses to AED 8.7 million (Q3 2015: AED 9.8m) as it continues to streamline and optimize back office operations.

SHUAA's balance sheet and liquidity position remain healthy with total assets of AED 1.3 billion as at 30 September 2016 (31 December 2015: AED 1.6b). Cash and deposits with banks increased to AED 308.1 million compared to AED 262.7 million as at 31 December 2015, whereas total liabilities decreased to AED 502.4 million from AED 638.6 million as at 31 December 2015. Total loans and advances decreased to AED 690.8 million (31 December 2015: AED 959.3m), with AED 665.4 million (31 December 2015: AED 951.1m) attributable to the SME Lending Business. SHUAA's debt/equity ratio now stands at 42.6%.

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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.

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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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