

Earnings Release

6 August 2014

SHUAA reports AED 116.2 m revenues and AED 14.4 m profit in first half 2014

First Half 2014 Highlights:

- **Total revenues of AED 116.2m**, 46% increase
- **Interest income** increased 32% to AED 62.7 m
- **Net fees and commissions** more than doubled to AED 34.8m
- **Gains from investments in SHUAA managed funds** at AED 18.8 m, up 21%
- **Strong top line performance** across all business divisions
- **Net profit of AED 14.4m**; reversal from AED 4.6m loss
- **Strong balance sheet** with AED 1.47 bn total assets
- **Cash position at AED 229m**, up 21% from year-end 2013

Second Quarter 2014 highlights:

- **Total revenues of AED 52m**, 20% rise y-o-y
- **82% of revenues** were generated from recurring fee and interest income
- **Net fees and commissions up 96%** to AED 19m
- **Interest income up 27%** to AED 32m
- **Gains from investment in SHUAA managed funds** declined to AED 1 m
- **Net profit of AED 6.2m**, nearly 5x higher than the previous year

SHUAA Capital today reports reviewed consolidated financial results for the first half and second quarter ended 30 June 2014.

Revenues increased 46.1% to AED 116.2 million in the first half of 2014, compared to AED 79.5 million during the same period in 2013. This significant revenue upswing stems from continuously growing client activity across the Group's core businesses as well as gains from investment in SHUAA managed funds. Net fees and commissions were AED 34.8 million, more than twice the AED 16.4 million recorded in H1 2013. This was led by the Investment Banking and Capital Markets units which posted AED 13.2 million and AED 6.4 million in fees and commissions, respectively. Total expenses increased by 18.2% to AED 95.0 million; this included an increase in interest expense to AED 7.6 million and total provisions to AED 10.7 million. SHUAA generated a net profit of AED 14.4 million during the first half 2014, an AED 19.0 million improvement compared to a net loss of AED 4.6 million during the same period last year.

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

"SHUAA delivered strong first-half performance despite the volatile operating environment towards the end of the second quarter. This reaffirms SHUAA's successful strategy, solid financial position and the diversified operating model we have created to generate sustainable profitability throughout market cycles."

SHUAA maintains a very strong balance sheet and healthy liquidity position. As at 30 June 2014, SHUAA's total assets were AED 1.47 billion, AED 22.8 million lower than at year-end 2013. Since the beginning of the year, cash and deposits with banks rose 21% to AED 229.4 million. Total liabilities decreased by AED 43.8 million to AED 332 million, a reduction of 11.7%. Shareholder's equity increased by AED 21.4 million to AED 1.13 billion. During the quarter, SHUAA completed a successful exit from Amwal.

During the second quarter of 2014, total revenues increased by 20% to AED 52 million despite lower gains on investments in SHUAA managed funds. Led by a 96% increase in net fees and commissions and a 27% rise in interest income, 82% of SHUAA's revenues were generated from recurring fee & interest income in the second quarter. Total expenses increased by 14.7% to AED 47.3 million, which included provisions of AED 7.7 million. SHUAA's net profit in the second quarter was AED 6.2 million, a nearly five-fold increase from the net profit of AED 1.3 million reported in Q2 2013.

First Half Segmental Information

Asset Management

- **14% revenue growth to AED 10.2m**

The Asset Management division generated revenues of AED 10.2 million in H1 2014 (H1 2013: AED 9m) and recorded a 64% growth in net profit to AED 7.3 million (H1 2013: AED 4.4m) due to an increase in net fees and commissions and a decrease in G&A expenses. Assets under Management remained stable at AED 1.055 billion (Q1 2014: AED 1.053bn) and have grown 51% on Q2 2013's AED 697 million in assets under management.

SHUAA's two flagship funds, the Emirates Gateway Fund and Arab Gateway Fund, have held firm despite recent market volatility. The Arab Gateway fund generated 7.56% year to date. The Emirates Gateway Fund generated a return of 13.86%, beating its benchmark of 8.82% as at 30 June 2014.

Furthermore, Thomson Reuters/Zawya has named the Emirates Gateway Fund the Best UAE Equity Fund of 2013 at the Zawya Fund Ranking Awards. It is the second consecutive year that SHUAA's Emirates Gateway Fund has ranked top of the Zawya UAE Funds Ranking. It returned 87% in 2013.

Investment Banking

- **6x revenue increase to AED 13.2m**

The Investment Banking division witnessed strong half-year revenues totalling AED 13.2 million (H1 2013: AED 2.2m) and a net profit of AED 12.5 million (H1 2013: loss of AED 0.6m). The division contributed 11.4% to Group revenues. The division's cost/income ratio significantly improved to 47% from 127% in H1 2013.

During the first six months of the year, the Investment Banking team worked on a number of public and private transactions. The most prominent public transaction being the USD 200 million Emirates REIT IPO where SHUAA acted as Sponsor, Joint-Lead Manager and Joint-Bookrunner. In March the team was also appointed Exclusive Financial Advisor, Lead Manager and Bookrunner for the IPO of Able Logistics Group in the UAE.

The team continues to work on a number of high-profile mandates and is expected to realise further revenue upside from the execution of its strong deal pipeline, driven by increased market and IPO activity.

Capital Markets

- **91% revenue increase to AED 7.4m**

The Capital Markets division saw revenues increase to AED 7.4 million (H1 2013: AED 3.9m) which represented 6.3% of Group revenues. In the first half of the year, net fees and commissions were up nearly two-fold, as was interest income while G&A expenses decreased by 25% to AED 4.3 million (H1 2013: AED 5.8m).

Capital Markets reported a net profit of AED 3.3 million as compared to AED 3.6m in H1 2013. Investments have been made to further enhance the service portfolio, ensuring that the division continues to be in a strong position to capitalise on growing investor interest in regional markets.

Lending

- **41% revenue growth to AED 64.2m**

The Lending division posted a 41% increase in first half revenues to AED 64.2 million (H1 2013: AED 45.4m) and a nearly four-fold upturn in net profits to AED 14.4 million (H1 2013: AED 3.7m). Provision charge for the period was AED 18.3 million, compared to AED 11.6 million in the same period last year.

The loan book stood at AED 785.4 million, down AED 28.7 million from AED 814.1 million at year-end 2013. The reduction of the loan portfolio is a result of decisive steps taken to settle large ticket loans early in order to reduce concentration risk, improve diversification of the loan portfolio and generate higher margins going forward.

During the second quarter, the Lending division implemented Moody's Analytics to further institutionalize its credit risk assessment processes and procedures.

Corporate

- **11% top line improvement to AED 21.2m**

The Corporate division posted half-year revenues of AED 21.2 million (H1 2013: AED 19.0m) and a net loss of AED 23.1 million (H1 2013: net loss of AED 15.7m). Gains from investment in SHUAA managed funds reached AED 18.8 million, AED 3.2 million higher than the first half of the previous year and G&A expenses was AED 38.3 million (H1 2013: AED 37.1m).

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.shuua.com

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