

PRESS RELEASE

SHUAA Capital reports 2009 fourth quarter and full year results

- **Full Year 2009:** Operating income was negative AED 70.8 mn and net income was negative AED 529.8 mn, compared to negative operating income of AED 522.7 mn and negative net income of AED 889.6 mn in the equivalent 12 months period ending 31 December 2008.
- **Fourth Quarter 2009:** Operating income was negative AED 13.1 mn as compared to negative operating income of AED 474.8 mn during the same period last year. Net income was negative AED 154.3 m, due to impairment charges of AED 53.2 mn and provisions of AED 89.8 mn, compared to net losses AED 577.4 mn in the fourth quarter of 2008.
- **Brokerage, Asset Management, Finance and Private Equity remained profitable in 2009**
- **Annualized G&A expenses lowered by 38% year on year, saving AED 149.6 mn compared to the equivalent period in 2008**
- **Cash flow from operating activities totaled AED 914.3 mn for the year**
- **Increased cash position by 39% to 543.5 mn**
- **Short and medium term debt reduced by AED 893 mn, from AED 1.38 bn as of 31 December 2008 to AED 483.3 mn as of 31 December 2009**
- **Leverage ratio further reduced to 0.69**

Dubai, 6 February 2010 – SHUAA Capital, the region's leading financial services institution, today reports results for the full year and fourth quarter ended 31 December 2009. The firm recorded a loss for the year of AED 529.8 million including investment impairment charges of AED 312.2 million and provisions of AED 210.5 million. For the year, operating income was negative AED 70.8 million, compared to negative operating income of AED 522.7 million and negative net income of AED 889.6 million in the equivalent 12 months period ending 31 December 2008.

The fourth quarter 2009 operating income was negative AED 13.1 million, compared to a negative operating income of AED 474.8 million for the same period last year. The fourth quarter 2009 net income was negative AED 154.3 million compared to a loss of AED 577.4 million during the fourth quarter 2008. The fourth quarter 2009 results reflect AED 53.2 million of impairment charges and prudent provisioning of AED 89.8 million as the firm reduces downside risks, emanating from volatile markets.

Mr Majid Saif Al Ghurair, Chairman of SHUAA Capital said:

'Global markets went through unprecedented and profound change during 2009. Although there are visible signs of improvement in our industry, the market recovery is still fragile in certain areas of our business. At SHUAA, we took decisive steps to emerge stronger from the downturn, we continued to make progress and have passed critical milestones on our own path to recovery. Our brokerage, asset management, finance and private equity

business produced positive contributions to the bottom line but write-downs and provisions offset these profits during 2009.

'We also conducted a detailed strategic review process which helped us design and embark on a clear strategy to refocus our efforts on our profitable fee generating businesses in order to return to long-term, sustainable profitability. We have already started implementation of our strategy and action plan and we expect to make material progress over the course of 2010.

Mr. Al Ghurair added:

'Our efforts to strengthen our business, including the appointment of a new Chief Executive Officer, have already started to show positive results. This has been recognised by the market and Moody's Investors Service who uplifted SHUAA's standalone issuer rating by two notches to Ba2, and a stable outlook.'

Mr Sameer Al Ansari, Chief Executive Officer of SHUAA Capital, commented:

'During a period of exceptional market turmoil, we have seen a flight to quality in the industry and investors have turned to the larger more established players like SHUAA. We have made significant progress across all our business lines during 2009 and this is reflected in the positive performance of our fee generating businesses during a period of significant market volatility. To strengthen the franchise, we launched a multitude of programs that were designed to stabilize our business, refocus our earnings capability on our core fee generating businesses, and remove downside risks emanating from illiquid assets in our legacy portfolios. We have increased our cash position by AED 153 million during the year and reduced our short term liabilities by 893 million. Finally we took the necessary steps to adjust the firm's cost base to streamline operations and generated savings of AED 150 million compared to last year. '

Cash Flow

Cash flow from operating activities year to date totals AED 914 million. SHUAA continues to respond strongly within the prevailing market conditions adding AED 30 million in cash from operations in the fourth quarter 2009.

Year to date cash generated from operations has been used largely to repay bank borrowings of AED893 million, further deleveraging the Group's balance sheet, and adding AED 153 million to cash on hand.

Cash on hand equals AED 543 million as at the end of the fourth quarter and provides a robust platform from which the Group can maintain and grow its ongoing activities.

Balance Sheet

During 2009, 515 million shares were issued to Dubai Banking Group in satisfaction of the bond which was issued in the third quarter of 2007. This resulted in additional share capital of AED 515 million. The associated share premium of AED 1,161 million was applied to the statutory reserve in accordance with article 203 of the UAE Commercial Companies Law.

As at 31 December 2009 total assets are AED 2,850 million compared to AED 3,303 million in September 2009 and AED 4,377 million in December 2008. Liquidation of investments of AED 338 million, reduced lending activities of AED 143 million, impairment charges of AED 53 million and additions to cash of AED 78 million were the primary driver of change quarter to quarter.

As at 31 December 2009 total liabilities are AED 1,152 million compared to AED 1,427 million in September 2009 and AED 2,109 million as at 31 December 2008. Due to banks and medium term debt reduced further this quarter by AED 90 million, reflecting the continuation of this positive trend reported over the last 5 quarters. Contractual settlement of financial liabilities of AED 211 million was another significant item this quarter.

Share Price Performance

While the DFM General Index recorded a rise of 10% for the year, SHUAA's share price increased by 49% from AED 1.00 to AED 1.49. However, SHUAA's market capitalisation almost tripled and was AED 1.586 billion as of 31 December 2009, compared to AED 550 million as of 31 December 2008. The reason for this is that when SHUAA issued 515 million shares to Dubai Banking Group the market had already adjusted SHUAA's share price to include the issuance of shares.

Segmental Reporting 2009 – Highlights

Brokerage

Markets in the UAE were particularly challenging in 2009, especially towards the end of the year. During the fourth quarter the overall traded value in the UAE was AED 243 billion as compared to AED 537 billion in the same period in 2008. Despite difficult markets, the brokerage business continues to demonstrate market leadership and gained market share.

Brokerage saw a profit of AED 13.3 million in 2009 as compared to a profit of AED 58.5 in 2008. The division recorded a profit of AED 4.9 million in the fourth quarter of 2009 as compared to a profit of AED 2.5 million in the third quarter 2009 and a loss of AED 2.4 million in fourth quarter 2008.

This strong performance of the business helped SHUAA Securities (UAE) to consolidate its market position as the second largest brokerage in the U.A.E. during 2009 with an overall U.A.E. market share of 5.27% as compared to 4.41% in 2008.

The division has benefited from the flight to quality that is taking place across the industry. SHUAA Securities now has around 50,000 accounts. We will continue work at maintaining our leading position in the market during 2010. The business is focused on further developing its trading technology and offering innovative products to its clients.

Private Equity

While 2009 may have been slower than past years as measured by deal activity levels, it was an active year for SHUAA Capital's private equity business.

SHUAA Partners recorded a profit of AED 14.9 million in 2009 as compared to a profit of AED 35.3 million in 2008. The division recorded a profit of AED 3.0 million in the fourth quarter of 2009 as compared to a profit of AED 3.7 million in the third quarter 2009 and a loss of AED 8.8 million in fourth quarter 2008. There were

no new investments made by the funds administered by the business during 2009 although one exit was made from the Heritage Investments portfolio with the sale of SHUAA Capital's stake in Taghleef Industries LLC. Additionally, the various funds' portfolio companies continue to perform strongly while continuing to distribute healthy dividends.

Looking ahead, the regional private equity industry seems to be more cautiously optimistic than last year, potentially indicating a return to more active capital deployment levels even though the exit environment continues to remain challenging.

Finance

Gulf Finance saw a profit of AED 24.6 million in 2009 as compared to a profit of AED 41.2 million in 2008. The division recorded a profit of AED 3.8 million in the fourth quarter of 2009 as compared to a profit of AED 6.5 million in the third quarter 2009 and a profit of AED 6.5 million in fourth quarter 2008. Despite the decline in 2009, we are pleased with the division's performance, given the challenging economic backdrop.

Against a general trend of rating downgrades, Gulf Finance's "BB" credit rating was maintained with stable outlook, reflecting the strength of the balance sheet, quality of management and the asset backed nature of the portfolio.

Furthermore, through actively prudent funding and liquidity management, the business was able to significantly de-leverage its balance sheet. To protect the business' liquidity position, Gulf Finance deliberately decreased new business volumes. This resulted in a decrease of 41% in overall gross customer lending since 31 December 2008.

Strong progress has been made on our strategy of diversifying the portfolio, with 70% of new business written in sectors outside of our traditional areas of focus. After the successful launch of the new Invoice Finance capability in Q1 2009, there has been AED 18 million of facilities sanctioned and drawn exposure of AED 12 million as of period end. There has also been AED 21 million of new SME Asset Finance facilities sanctioned during 2009, with customers across a variety of industries including healthcare, manufacturing and logistics. Meanwhile, Gulf Finance has strengthened its leading position in the marine finance market, with drawn exposure of AED 7 million at period end.

Provisions as a percentage of non-performing loans in 2009 were 322% compared to 186% in 2008. However, there was an increase in over dues as a percentage of book exposure, increasing to 5.5% (2008: 2.5%), although the non performing loan rate only increased slightly to 2.5% (2008: 2.2%).

Asset Management

2009 was a very challenging year due to the global economic downturn impacting the regional markets in which SHUAA operates. Due to this difficult economic climate, investors re-examined their strategies and pulled out of regional markets. However, SHUAA Asset Management came out ahead compared to its competitors, with solid retention of regional and private investors.

The division saw a profit of AED 6.7 million in 2009 as compared to a profit of AED 100.1 million in 2008. In the fourth quarter of 2009, the division recorded a loss of AED 0.3 million as compared to a profit of AED 2.6 million in the third quarter 2009. This compares to a loss of AED 0.2 million in fourth quarter 2008. The profits in 2009 were supported mainly by cost efficiency initiatives that helped maintain healthy margins at 37%.

Total assets under management were AED 889 million as at 31 December 2009 as compared to AED 1.74 billion as of December 2008.

Noteworthy, was the change in the mix of our asset management by client type and domicile in comparison to the distribution at the end of 2008. The business recorded an increase in its share of private investors with a higher proportion coming from local and regional markets.

Investment Banking

As with any business focused on the equity markets, SHUAA's investment banking division was heavily impacted by challenging market conditions throughout the year. 2009 was a quiet period for primary issuance across the equity markets, the Investment Banking division's principal business line.

This was reflected in the division's loss of AED 11.8 million in 2009 as compared to a profit of AED 25.1 million in 2008. The division recorded a loss of AED 3.3 million in the fourth quarter of 2009 as compared to a loss of AED 1 million in the third quarter 2009 and a profit of AED 0.9 million in fourth quarter 2008.

Against an ongoing, challenging economic backdrop, SHUAA's Investment Banking clients continued to delay their IPO plans. The team however has been working hard to prepare the pipeline for execution given the encouraging signs of renewed investor interest in the region. This increase in confidence should facilitate an opening up of the equity markets in the first half of 2010. The Investment Banking team is well poised to win these mandates due to its outstanding track record and experience; in 2008 the team advised on 100% of public listings on the Dubai Financial Market.

The bond markets have been active over the period as orders for government and corporate credit for third party issuances come through. This high level of activity on the syndicate desk has helped mitigate the low levels of primary issuance.

Corporate

The Corporate division, which recognized impairment charges and provisions during the year, saw a less significant loss in 2009 as compared to 2008. The corporate division has been focused on reducing the size of the firm's asset portfolio with the aim to minimize further downside risks emanating from non-fee generating businesses.

Corporate recorded a loss of AED 577.5 million in 2009 as compared to AED 1,150million in 2008. Corporate recorded a loss of AED162.4 million in the fourth quarter of 2009 as compared to a loss of AED 283.4 million in the third quarter 2009 and a net loss of AED 573.3 million in fourth quarter 2008.

SHUAA Capital Saudi Arabia

SHUAA Capital Saudi Arabia (SCSA) has continued to consolidate its strong position in the Saudi market throughout 2009. Despite the global financial crisis and local market volatility, SCSA has grown its business lines and expanded market share.

In 2009, which was the division's first year of operations, SCSA brokerage captured a 0.18% market share, reaching the 20th position in the brokerage rankings. As of end of 2009 AUM's stood at just over SAR 800m and hopes are high for 2010, especially after the implementation of a new state-of-the-art trading platform.

On the Asset Management front, Saudi Arabia's Capital Market Authority (CMA) had licensed three SHUAA funds in the Saudi market; the SCSA Morabaha Fund; SCSA Saudi Gateway Fund; and SCSA Saudi Islamic Gateway Fund. This marked a major milestone for our Asset Management business line as we move to play a significant role in the development of sophisticated asset management products.

Going forward, SCSA is in an excellent position to capitalize on several opportunities in the Kingdom across all business lines including Investment Banking, Asset Management, Brokerage and Private Equity. While delivery has been affected by the financial crisis, we have started witnessing an increase in pipeline activity and we are particularly interested in the potential increase in Mergers and Acquisitions activity.

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About SHUAA Capital psc:
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Since 1979, SHUAA Capital has played a prominent role in shaping the financial services landscape of the GCC and will continue to be at the vanguard of regional integration into global financial markets.

SHUAA Capital maintains a leadership position in Investment Banking, Asset Management, Brokerage, Private Equity, Finance, and Research. Headquartered in Dubai, in the United Arab Emirates, SHUAA Capital has a regional presence with offices in Abu Dhabi, Riyadh, Doha, Cairo, Beirut and Istanbul.

Embedded in the dynamic economic environment of the Gulf Cooperation Council (GCC), SHUAA Capital provides a broad range of financial services to corporations, governments, institutional clients, and high net worth individuals.