

# Earnings Release

Date: 13/02/2012, For immediate release

---

## SHUAA Capital reports 2011 year-end results

- FY2011 income generated from interest, fees and commissions and trading was AED 131.1 million before losses on investments in SHUAA managed funds of AED 31.8 million; total revenues were AED 99.2 million
- Total expenses were AED 362.3 million of which AED 152.6 million are directly related to brokerage
- FY2011 loss was AED 293.8 million, including impairments, provisions and valuation adjustments of AED 198.8 million; this includes AED 115.1 million in restructuring costs related to brokerage, a AED 30.7 million loss on other investments, 31.8 million loss on SHUAA managed funds and AED 10.9 million of Group restructuring costs and 10.3 million of other expenses.
- Balance sheet remains solid with total assets of AED 1.6 billion, including AED 340.2 million in cash, against total liabilities of AED 437.2 million. Shareholder's equity stands at AED 1.2 billion, equivalent to AED 1.1 book value per share
- Asset Management and SME Finance were profitable in Q4 and FY2011
- Assets under management increased by 25% to AED 850 million from AED 680 million this time last year
- Good progress made on rightsizing program; SHUAA reduced employee related costs by 39%

**Dubai – 13 February 2012:** SHUAA Capital today reported results for the fourth quarter and year ended 2011. Revenues in the fourth quarter 2011 were AED 20.1 million (FY 2010: AED 42.8 million) and the Company reported a net loss of AED 111.8 million (FY 2010: net loss AED 186.7 million). Revenues for the full year 2011 were AED 131.1 million (FY 2010: AED 176.2 million) before losses on investments in SHUAA managed funds of AED 31.8 million (FY 2010 gain on investments AED 12.2 million). Overall for the financial year 2011 the Company had a total net loss of AED 293.8 million (FY 2010: loss of AED 223.7 million). The majority of the loss, AED 129.9 million, is directly attributable to brokerage. This includes one-off costs related to closing down SHUAA Securities offices in Jordan, Egypt as well as significantly reducing its presence in Abu Dhabi and Riyadh, related employee termination expenses and provisions as well as an AED 69.7 million goodwill impairment charge for the exit from its retail brokerage activities. The remaining goodwill of AED 34.1 million, accounted for at year-end 2011, relates solely to Gulf Finance.

The Company's balance sheet at the year-end remained strong despite the challenging trading environment. Total assets were AED 1.6 billion. SHUAA had a strong cash position at year-end with AED 340.2 million at hand, down slightly on last year's position of AED 397.1 million. Total liabilities fell to AED 437.2 million from AED 447.6 million principally due to a drop in medium term debt levels. As of 31 December 2011, non-core assets stood at AED 349.2 million compared to AED 564.5 million at year-end 2010.

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

"Since my appointment in May 2011, and after careful consideration by the Board of Directors, we have taken decisive and necessary action to eliminate legacy risks and clear the path to achieving our vision of becoming a truly regional financial services provider. This required us to take significant write-downs on our legacy portfolio, a rigorous restructuring of our cost base and a material headcount reduction, primarily in brokerage. The cost cutting measures have reduced both the number of employees and employee related costs by 39%, which is equivalent to annualized cost savings of AED 46 million, and real estate related expenses of AED 3.5 million. We have pulled out of the loss making retail brokerage business, reduced our risk positions and are now implementing a new strategy under the leadership of Michael Philipp who joined SHUAA in October 2011. Since then, we have accelerated the pace and direction at which we are moving and our actions, coupled with our solid balance sheet, will give our shareholders increased financial visibility for the year ahead and an opportunity to renew their confidence in SHUAA."

**Michael Philipp, CEO of SHUAA Capital, added:**

"The 2011 financial results mirror the difficulties SHUAA has faced in the past but also its resilience in the face of adverse market conditions. In a year of ongoing turmoil, our SME Finance business remained highly profitable. The realigned asset management business reported a profit, an increase in assets under management, and generated outperformance for our clients. In investment banking we are getting closer to executing our pipeline of mandates. We have materially reduced our overall cost run-rate and our portfolio risk to a level that makes us less vulnerable to market volatility and allows us to prosper when markets improve. We have entered 2012 with a better financial position, a more resilient operating model and a new strategy that focuses on building out our revenue enhancement program. Our determination to seize the opportunity of repositioning SHUAA as the leading financial services platform in the Middle East remains undiminished."

**Rightsizing program**

In 2011 the Company undertook a fundamental restructuring programme that identified the real revenue opportunities and areas to further reduce costs. The Board agreed on a new strategy to focus the Firm on those areas of the business where it has strategic market advantage, namely; asset management, corporate advisory, SME finance and institutional brokerage. Integral to this strategy has been the development of a comprehensive revenue enhancement programme to ensure these business areas are able to reach their full potential.

The Board took the tough but necessary decision to exit retail brokerage and focus on providing sales and trading services to institutions, family offices and high-net-worth individuals. This entails closing down SHUAA's brokerage operations in Jordan and Egypt as well as significantly reducing the Company's presence in Abu Dhabi and Riyadh. Tied to the decision to exit retail brokerage, SHUAA has significantly reduced its Research department and will commission third party research when required in the future.

So far SHUAA has reduced its headcount by 39%, implying cost savings of AED 46 million. Excluding Gulf Finance, which increased its headcount by 15% to 85 employees, the number of employees at SHUAA was reduced by 39% from 285 to 174. SHUAA will be making a further headcount reduction of 55 employees, primarily from retail brokerage, in the first half of 2012, subject to regulatory approval. Overall non-GFC headcount is expected to drop to 130 employees. Following the reduction in headcount SHUAA will also reduce rent related expenses by over AED 4 million.

**Segmental Information**

**SME Finance**

The business recorded revenues of AED 61.2 million in the year under review (FY 2010: AED 61.2 million) and a profit of AED 23.4 million in FY 2011, compared to AED 23.9 million last year. In Q4 revenues were AED 18.2 million (FY 2010: AED 13.5 million) and profits were AED 5.4 million (Q4 2010: AED 1.3 million).

As of 31 December 2011, the loan book of Gulf Finance (GFC) consisted of diversified exposure to the following sectors; Power, Oil & Gas 22%, logistics 16%, printing & media 15%, manufacturing 14% and healthcare 7%. Non performing loans were stable at AED 7.8 million, representing 1.7% of the total loan book.

GFC has continued to perform in line with expectations and has been the main revenue driver for the business. Gulf Finance has grown its loan book by around AED 13.2 million per month in the last quarter of 2011 and is working on financing solutions to keep up this pace in 2012. Immediate plans are underway to expand its operations into Saudi Arabia by setting up a sharia compliant credit and leasing business. To support this expansion plan SHUAA recently announced the appointment of Dr. Sabah Hamad al-Sabah al-Binali as Vice Chairman of GFC. Dr. al-Binali previously served as founding Managing Director of Credit Suisse Saudi Arabia, as Chairman of Zawya for ten years, and as Principal and Chief Investment Officer of Saffar Holdings.

### **Asset Management**

The business recorded revenues of AED 23.8 million in the year under review (FY 2010: AED 31.7 million) and a profit of AED 5.2 million in FY 2011, compared to AED 1.2 million last year. In Q4 revenues were AED 6.3 million (FY 2010: AED 5.1 million) and profits were AED 2.6 million (Q4 2010 loss of AED 2.4 million).

The Asset Management business, which now also manages the private equity funds, continues to perform well in the prevailing markets, outperforming the peer group. The Emirates Gateway Fund, Arab Gateway Fund and the Qatar Gateway Fund outperformed their respective benchmarks. Asset under management increased significantly to AED 850 million, a 25 % increase over the AED 680 million as of the 31 December 2010. In the last quarter the business announced a major investment mandate from National Bonds. SHUAA Asset Management was recently awarded 'UAE Equity Fund of the Year' at the recent *MENA Fund Manager* Performance Awards as well as "Best Asset Manager in the United Arab Emirates" by *EMEA Finance* magazine

### **Investment Banking**

The Investment Banking business continued to have a difficult year in line with the prevailing market conditions. The division still has a significant number of mandates and expects to be able to bring them to market as soon as the economic situation recovers.

The business recorded revenues of AED 6.8 million in the year under review (FY 2010: AED 15.6 million) and a loss of AED 14.4 million in FY 2011, compared to a loss of AED 3.2 million last year. In Q4 revenues were AED 0.7 million (FY 2010: AED 1.2 million) and the Division recorded a loss of AED 2.5 million (Q4 2010: loss AED 3.8 million).

### **Brokerage**

During the fourth quarter the Company repositioned the brokerage business to focus on providing sales and trading services to institutions, family offices and high-net-worth individuals. Consequently the business is closing down SHUAA's brokerage operations in Jordan, Egypt as well as significantly reducing the Company's presence in Abu Dhabi and Riyadh. At the same time SHUAA has significantly reduced its Research department and will commission third party research when required in the future.

The business recorded revenues of AED 19.9 million in the year under review (FY 2010: AED 31.7million) and a loss of AED 129.9 million in FY 2011, compared to a loss of AED 20.2 million last year. In Q4 revenues were AED 2.6 million (FY 2010: AED 6.7 million) and the Division recorded a loss of AED 86.9 million (Q4 2010: loss AED 15.8 million). The loss included a goodwill impairment charge of AED 69.7 million.

### **Corporate**

The corporate centre recorded revenues of AED 19.4 million (FY 2010: AED 36.1 million) in the year under review before losses on investments in SHUAA managed funds of AED 31.8 million (FY 2010 gains of AED 12.2 million) and a loss of AED 178.1 million in FY 2011, compared to a loss of AED 225.3 million last year. In Q4 revenues were AED 4.6m million (FY 2010: AED 7.7 million) before losses on investments in SHUAA managed funds of AED 12.3

million (Q4 2010 gains of AED 8.5 million) and the Division recorded a loss of AED 30.6 million (Q4 2010: loss AED 166.0 million).

### Cautionary Statement Regarding Forward-Looking Information

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

- ENDS -

**About SHUAA Capital psc:** 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 and SME Finance. Headquartered in Dubai, in the United Arab Emirates, SHUAA Capital has a regional presence with offices in Abu Dhabi, Riyadh, and Jeddah. Embedded in the dynamic economic environment of the Gulf Cooperation Council, SHUAA Capital provides a broad range of financial services to corporations, governments, institutional clients, and high net worth individuals. [www.shuaacapital.com](http://www.shuaacapital.com)

---

For further information please contact:

**Oliver Schutzmann**

Head of Investor Relations & Corporate Communications

Tel: +971 4 319 9872

Mobile: +971 50 640 5722

[oschutzmann@shuaacapital.com](mailto:oschutzmann@shuaacapital.com)