

Press Release

For immediate Publication

SHUAA breaks even in third quarter – turnaround is on track

- Achieved Profit of AED0.2 m in 3Q 2010 versus loss of AED269 m in 3Q 2009
- Generated Revenues of AED51.8 m in 3Q 2010 compared to AED66 m in 3Q 2009
- Strengthened balance sheet with total assets of AED2.175 bn, including cash of AED412 m, against total liabilities of only AED496m down from AED1.4 bn in 3Q 2009
- Stabilized cost base due to cost control initiatives
- Asset Management flagship funds significantly outperformed benchmarks
- SME Finance reported consistent profit and low NPLs
- Brokerage unit impacted by low trading activity

Dubai – 10 November 2010: SHUAA Capital, the leading financial services institution in the GCC, today reported results for the third quarter ended 30 September 2010. During the quarter, which was impacted by the extremely quiet business periods of summer, Ramadan and Eid-Al-Fitr holidays, SHUAA generated revenues of AED51.8 m (3Q 2009: AED66 m) and a small profit of AED0.2 m (3Q 2009 loss: AED269.3 m).

For the nine months period, SHUAA reported revenues of AED145.7 m (9M 2009: AED221.2 m) and a loss of AED36.9 m (9M 2009 loss: AED375.5 m). SHUAA has continued to make headway in strengthening its balance sheet during the quarter, further reducing its liabilities by AED206.1 m. Net assets stood at AED1.68 bn as of 30 September, 2010.

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

“Recording a profit, albeit small, is an important achievement in an extremely challenging environment characterized by the lowest market activity since 2004. This is particularly pleasing when compared to 3rd Quarter results of regional and international investment banks. Since the arrival of the firm’s new Chief Executive Officer one year ago, SHUAA has successfully restructured its balance sheet, re-focused its strategy on its fee generating businesses, and improved its earnings capabilities. Furthermore, SHUAA’s business model has proven to be robust and efficient, even in the most difficult of economic environments.”

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

“SHUAA’s third quarter result is clear proof that the company’s turnaround is on track. Our balance sheet is strong, de-risked, and underleveraged. Our excellent liquidity position will allow us to reinvest and focus on the growth of our core businesses, most of which have recorded profits this quarter. We are particularly pleased by the strong performance of our investment funds and the progress made on a number of significant investment banking mandates. SHUAA’s financial strength coupled with our leading market position in our specialist areas along with an exceptional new leadership team, positions us perfectly to benefit from the improved investor sentiment and market activity. Today, we are more optimistic about the future than at any other point during the past year.”

SHUAA’s business units reported solid results during the third quarter despite extremely low trading activity. Asset Management and Investment Banking moved back into profitability. Private Equity and Finance remained profitable. Unsurprisingly, Brokerage results were impacted by reduced client activity.

SHUAA has continued to develop its business in Saudi Arabia, with the Kingdom identified as a key part of SHUAA’s growth plans. Market activity and investor appetite picked up in Saudi Arabia in the third quarter and SHUAA was able to capitalize on this. Private Equity assets under management are up, brokerage activity has increased and the team is working on a number of investment banking mandates. SHUAA is now well positioned to build and further solidify its presence in the region’s largest economy.

Segmental Information

Asset Management

SHUAA Asset Management's two flagship funds, the Arab Gateway Fund and the Emirates Gateway Fund have both significantly outperformed their benchmarks by 4.0% and 3.8%, respectively. Both funds have sustained consistent improved performance during the quarter, with total returns of 9.8% and 13.2%. The Saudi Gateway fund returned 6 % for the quarter.

The division recorded revenues of AED6.9 m (3Q 2009: AED26.1 m) and a profit of AED3.7 m, compared to AED23.5 m in the same period last year. Net Inflows into our funds are yet to reflect the outperformance of our funds.

Brokerage

Brokerage, which is an operationally-gearred business, suffered due to the dramatic drop in trading activity across the Dubai Financial Market and Abu Dhabi Securities Exchange during the quarter. Consequently, SHUAA Securities saw revenues fall to AED5.8 m (3Q 2009: AED14.7 m), and recorded a loss of AED3.7 m (Q3 2009: profit AED4.5 m). Regional markets saw a significant pick-up in trading activity in September which has continued into October. SHUAA is well positioned to attract institutional fund flows as international investors return to local markets and expects to increase market share in Saudi Arabia as its stronger sales presence starts gaining traction.

The brokerage market has also been undergoing significant consolidation in recent months and it is expected that the number of registered brokers on the DFM and ADX will fall to 70 from over 90 by the end of the year. SHUAA's reputation, scale and full service approach, including its respected award-winning research team, provides the firm with an opportunity to increase market share as the investor flight to quality continues.

Private Equity

SHUAA Partners generated revenues of AED7.4 m (3Q 2009 loss: AED7.7 m) and profit of AED3.2 m (3Q 2009 loss: AED12.3 m) during the latest quarter

SHUAA Partners Fund I, L.P completed a significant exit with the sale of its stake in Rotana Hotel Management Corporation. The investment was made in 2006 through a private placement. The sale generated a strong return and substantial dividends over the four year holding period.

Investment Banking

Investment Banking reported revenues of AED6.9 m (3Q 2009: AED2.4 m) and recorded a profit of AED2.9 m for the third quarter of 2010, which is an improvement over the profit of AED0.4 m recorded during the third quarter of 2009.

The third quarter proved to be challenging, with clients continuing to delay transactions during the summer months. Despite weak market conditions, Investment Banking has increased the number of mandates in its pipeline, is currently pitching for several others, and has started to see some positive momentum. The team is finalising two M&A transactions, working on two private placements and has been appointed joint book runner for the forthcoming IPO of Axiom Telecom. The expansion of the Capital Markets business is progressing well with Syndicate and Trading Desk becoming much more active.

Finance

Gulf Finance continued to perform well during the third quarter, reporting a profit of AED6.5 m (Q3 2009: AED6.5 m). Revenues during the quarter were AED14.9 m (3Q 2009: AED20.8 m), reflecting lower average assets year on year as a consequence of de-risking and diversifying the lending portfolio into new sectors. Reflecting the declining asset book size, the NPL rate has marginally increased to 3.18% at the end of the third quarter as compared to 3.0% at the end of the second quarter.

Over the past 2 years the business has been exiting the construction related vehicle finance market and repositioning itself as a transactional SME focused asset-backed lender. Today, exposure to the construction sector represents less than 10% of the overall lending portfolio. Good transaction flow is being seen within our new SME target market, with particular success in the Healthcare, Manufacturing and Oil & Gas sectors. Geographic exposure is continuing to diversify with momentum being gained in Abu Dhabi which now represents nearly a third of all new business.

During the quarter, Gulf Finance had its credit rating of BB with a stable outlook re-affirmed by Capital Intelligence, for the 3rd consecutive year, showing that credit quality has been maintained during the downturn.

Corporate

During the third quarter of 2010, the Corporate entity reported revenues of AED9.9 m (3Q 2009: AED9.7 m) and a loss of AED12.4 m (3Q 2009 loss: AED291.8 m). The Division saw a gain of AED6.2 m on investments (3Q 2009 loss: AED255.7 m). General and administrative expenses fell to AED22.5 m (3Q 2009: AED34 m). Interest expenses also fell to AED5.8 m (3Q 2009: AED10.2 m).

- Ends -

For more information please contact:

Tarek S. Fleihan

SHUAA Capital
Tel: +971 4 3199 874
Mobile: +971 50 7080571
tfleihan@shuaacapital.com

Rupert Young

Brunswick Gulf Ltd
Tel: +971 4 365 8260
Mobile: +971 50 940 3018
ryoung@brunswickgroup.com

About SHUAA Capital psc:

www.shuaacapital.com

Since 1979, SHUAA Capital has played a prominent role in shaping the financial services landscape of the Gulf Cooperation Council (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 strong regional presence with offices in Abu Dhabi, Riyadh, Doha, Cairo, Beirut and Amman. Embedded in the GCC's dynamic economic environment, SHUAA Capital provides a broad range of financial services to corporations, institutional clients, and high net worth individuals.