

# Dubai Financial Market

Investor Presentation

Q1, 2014

حيث ملتقى السيولة  
Connecting Liquidity



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## THE REGION – MENASA / GCC/ UAE

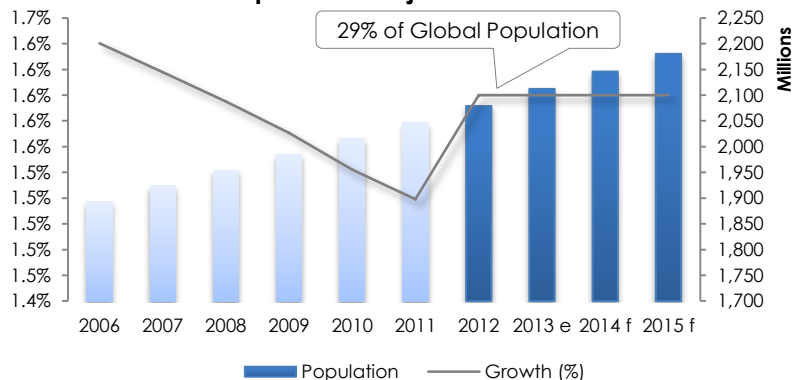
AN ECONOMIC POWERHOUSE

# MENASA REGION : SOLID ECONOMIC FUNDAMENTALS -PROMISING GROWTH

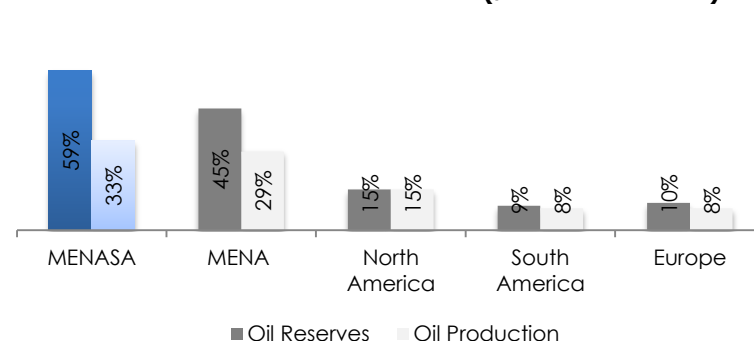


**MENASA region is emerging as a powerful economic bloc with tremendous growth potential, combining the sovereign wealth funds (SWFs) of the Mena region to the economic growth story of, say, India, hence, the economic paradigm shift towards this region from other emerging markets**

### Population Projections



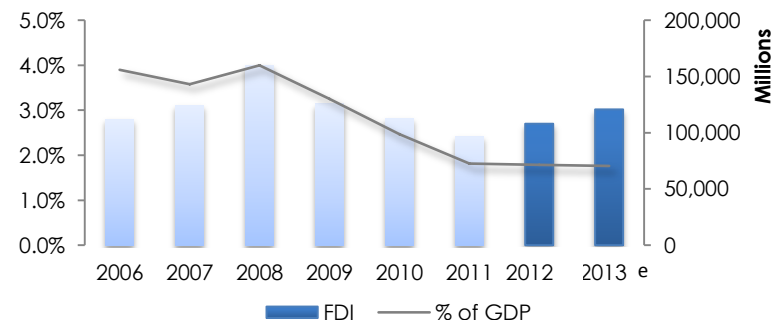
### Oil Reserves and Production (% of Global Total)



### GDP 2012 (USD Millions)



### FDI Projections 2006 - 2013



The UAE, the second biggest Arab economy, is set to record 4% growth in GDP in 2013, led by a focus on adopting industrial policies that will drive sustainable development across the UAE.

-IMF 2013 Forecast

GCC – GDP Projections 2010 - 2013

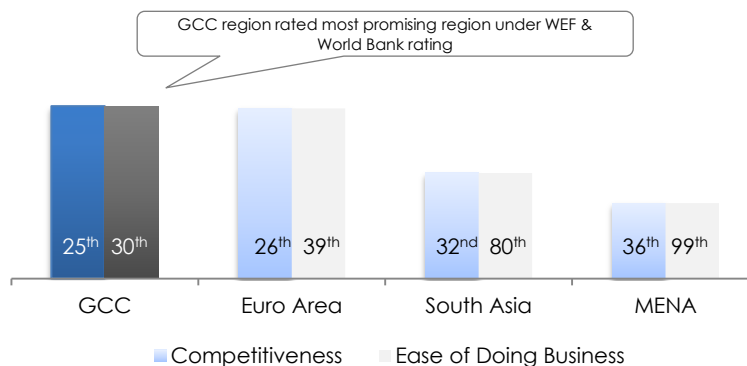
Country	2010	2011	2012	2013 e
Bahrain	4.1%	1.5%	3.6%	4.8%
Kuwait	3.4%	5.7%	4.5%	5.1%
Oman	4.1%	4.4%	3.6%	3.8%
Qatar	16.6%	18.7%	6.0%	4.3%
Saudi Arabia	4.1%	6.8%	3.6%	4.4%
<b>UAE</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.8%</b>	<b>4.0%</b>

GCC – Country Ratings 2012

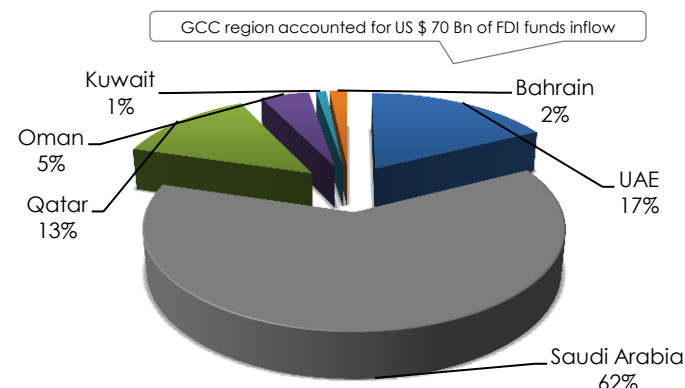
Country	S&P	Moody's	Fitch
Bahrain	BBB	Baa1	BBB
Kuwait	AA	Aa2	AA
Oman	A	A1	A
Qatar	AA	Aa2	AA-
Saudi Arabia	AA-	Aa3	AA-
<b>UAE</b>	<b>AA</b>	<b>Aa2</b>	<b>AA-</b>

Region was able to quickly recover from the global crisis on the back of strong fundamentals and high oil prices

GCC Ranking 2012



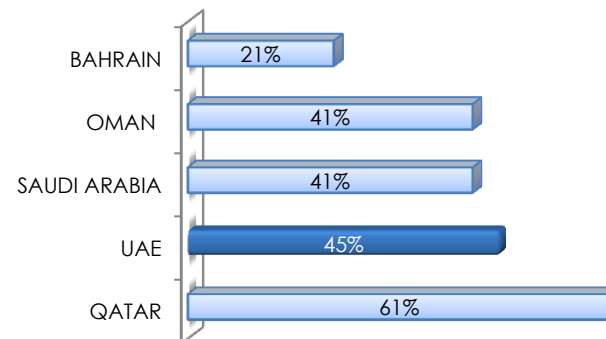
GCC – FDI Share by Country 2012



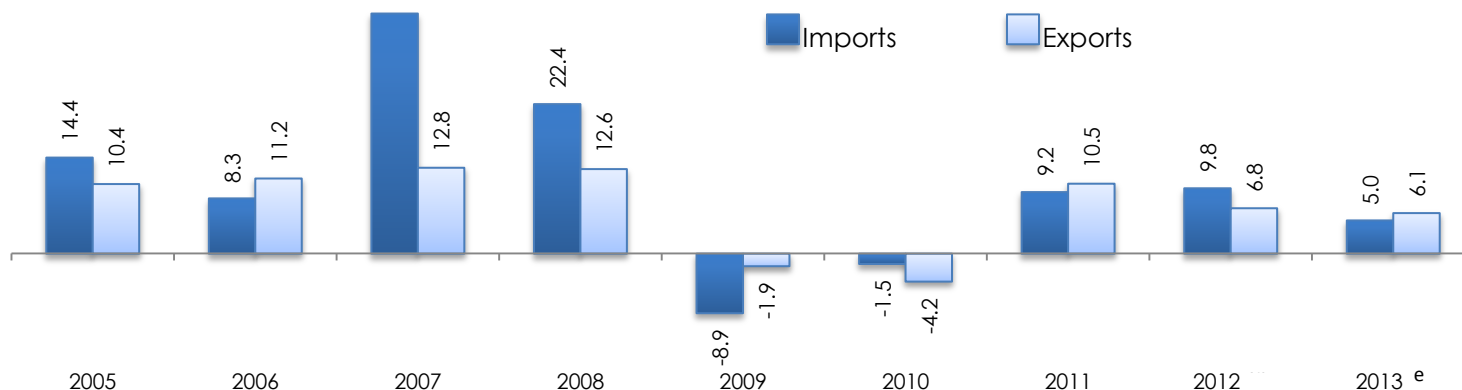
## Key Contributors to Growth

- Recovery in oil prices
- Strong growth in the non-hydrocarbon sector
- UAE's service driven economy benefitting from the global trade
- USD 50 billion worth of infrastructural projects still under construction in UAE

### Oil / Gas as % of GDP (2012)



### UAE Import/Export Projections (% Growth)





DUBAI

THE FINANCIAL HUB OF MIDDLE EAST

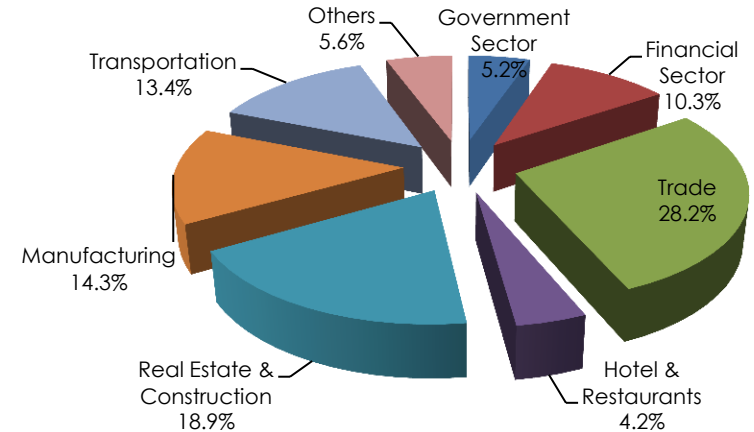
Dubai's core strengths remain fundamentally sound

**"Our vision is clear, our goals are obvious, our strengths are great, our will is strong and we are ready. We want Dubai to be a global center of excellence, creativity and leadership".**

-HH Sh. Mohammed  
Ruler of Dubai

Well diversified economy based on international trade, banking and finance, tourism, information technology and infrastructure.

**Dubai GDP Share Breakdown by Economic Sectors – 2012**



Strengths	Reasoning
Highly sophisticated financial centre	Dubai is ranked 7 <sup>th</sup> as per 'International Financial Centres Competitive Assessment Report' , a competitive study of 15 key global and regional financial centres done by KPMG
Favorable business environment	Dubai has been rated very high in ease of doing business ranking 19 <sup>th</sup> globally -World Competitiveness Index
Strategic location with a strong logistics infrastructure to bolster trade	Trade capacity in UAE has tremendously improved over the years with free-zones like JAFZA and trade growth at 15% in 2013
Solid tourism sector	Hotel occupancy rates remained high throughout 2013 at 87%, benefitting both tourism and trade activities.  - DSC, 2012-13 Report



Seems like the stars are aligning for Dubai once again

- Organizational restructuring of government departments & related entities
- Successful debt restructuring across all sectors with zero defaults
- GDP is projected to grow at 4%+ and above going forward, as per IMF, way above the average GDP growth of western counterparts

### Key Achievements in 2013 :

- Dubai GDP growth for 2013 is recorded at 4.9% and expected to grow 4.7% in 2014
- 15%+ growth in direct foreign trade
- 11% growth in tourism as of 2013
- Dubai is ranked 19<sup>th</sup> in world competitiveness index up five positions from last year
- UAE ranks 14<sup>th</sup> in AT Kearney FDI Confidence Index serving as main hub in Arab world
- Real estate market is back on track with 20%+ growth in 2013 –making Dubai – the best growth performance internationally.

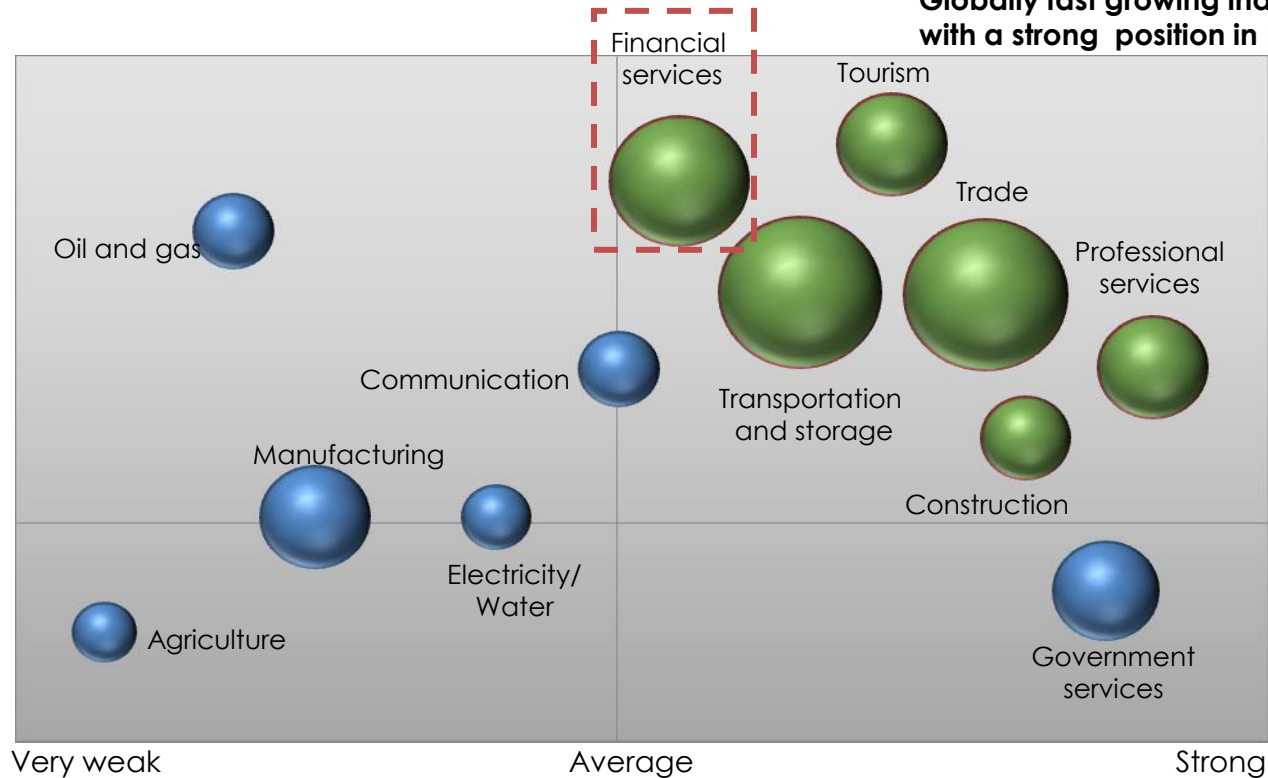
**While challenges remain, the Dubai economy is on a much sounder footing especially as much of the excesses and speculative elements of the economy have been weeded out. What Dubai is now left with is an unparalleled logistics, commercial, retail, communications and transportation infrastructure in the region - and ready for accelerated growth**

**Globally fast growing industries  
with a strong position in Dubai**

Globally faster  
growing sectors

**Future global  
growth  
2010– 2015**

Globally slower  
growing sectors



Average global  
GDP growth

**Dubai's strength by international standards**

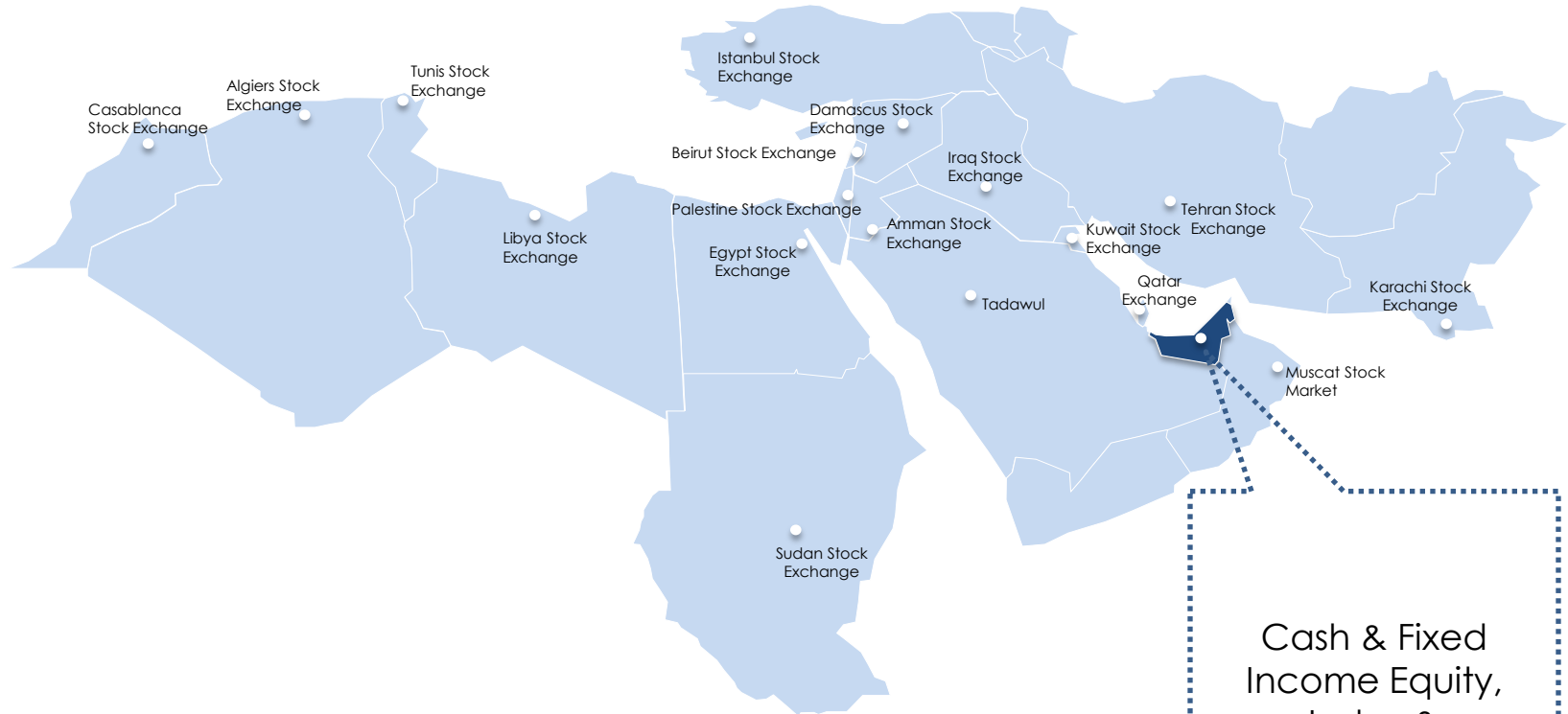


Sectors qualified  
to be part of  
future  
growth path



# CAPITAL MARKETS

UNITED ARAB EMIRATES

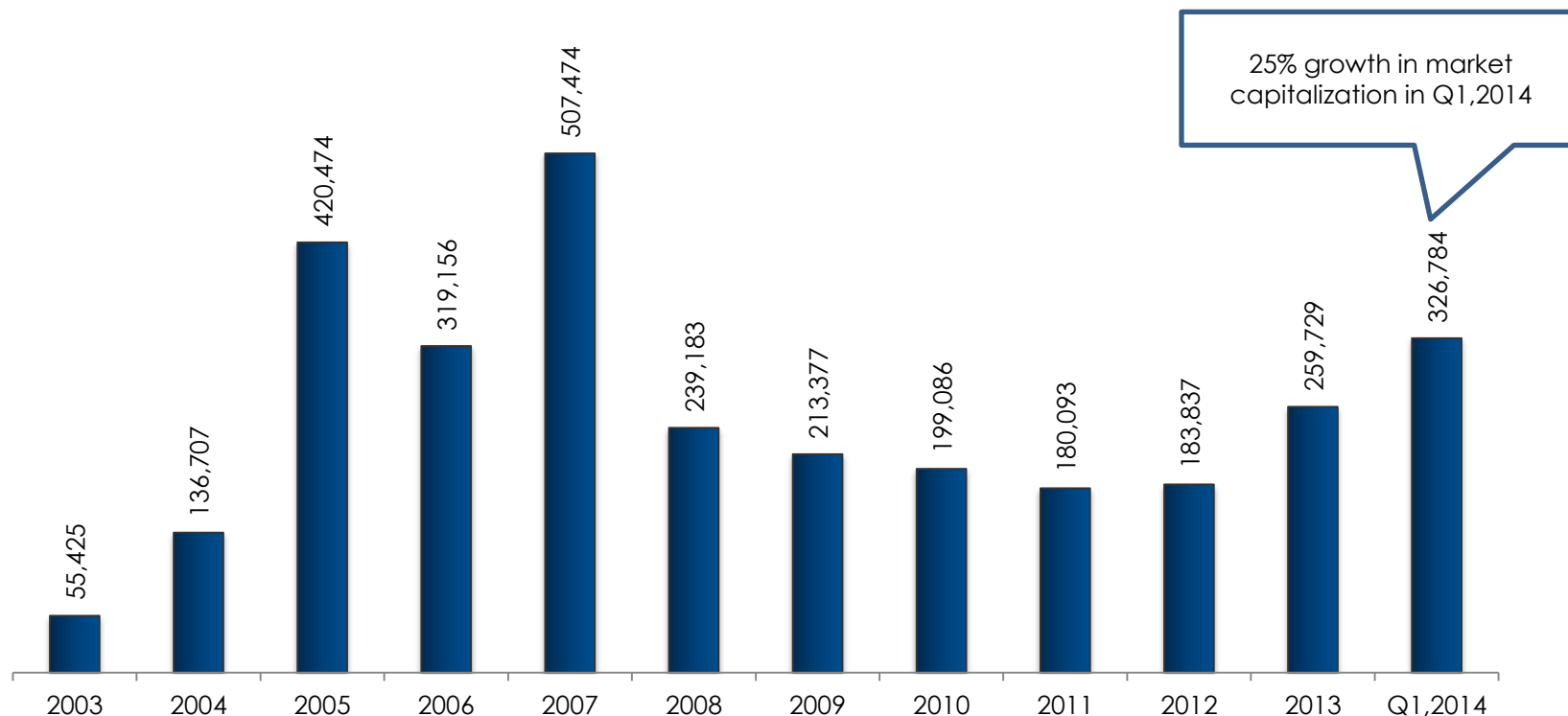


Only UAE offer a wide array of trade exchanges/products in the entire MENA region

Cash & Fixed  
Income Equity,  
Index &  
Commodity  
Futures

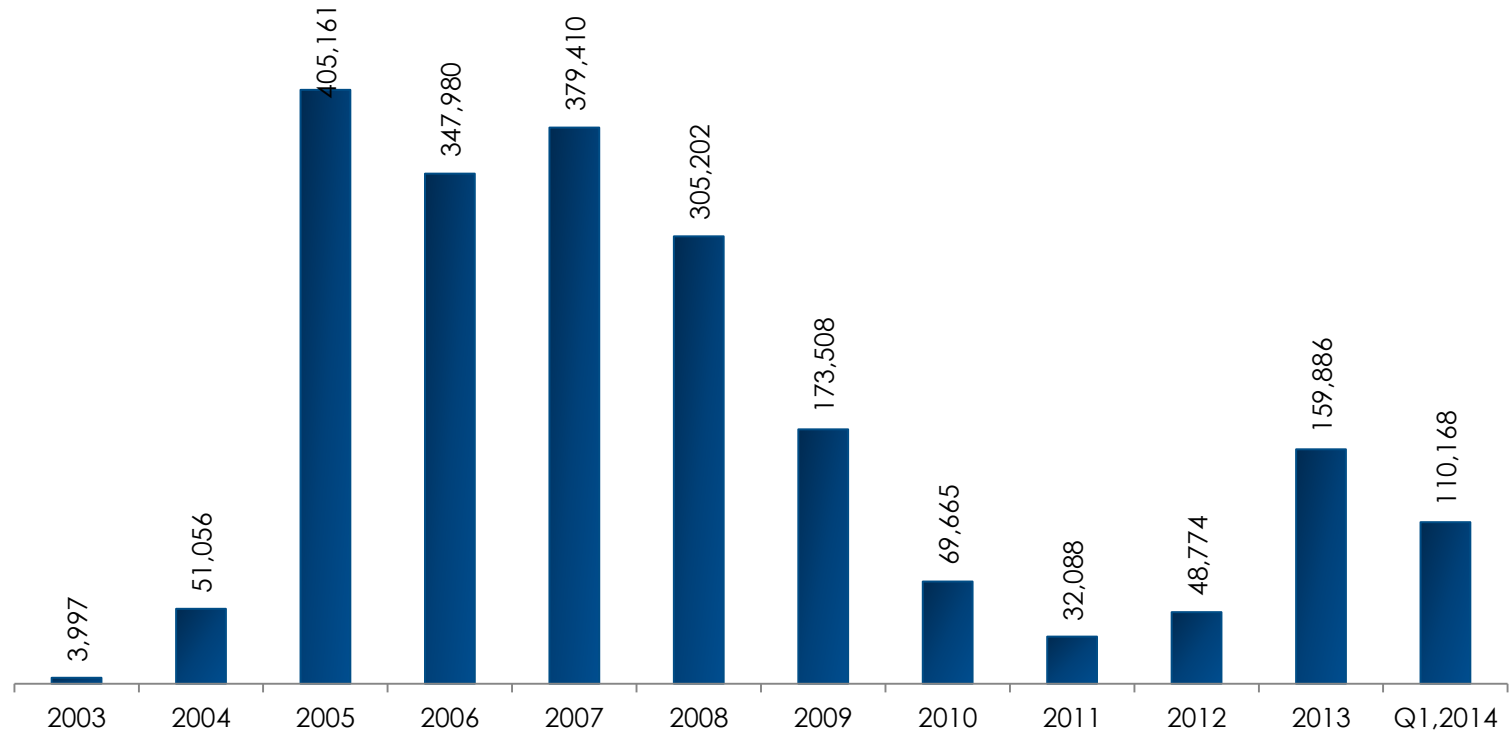
### END-OF-PERIOD MARKET CAPITALIZATION (2003 –Q1, 2014 )

All figures in AED Mn



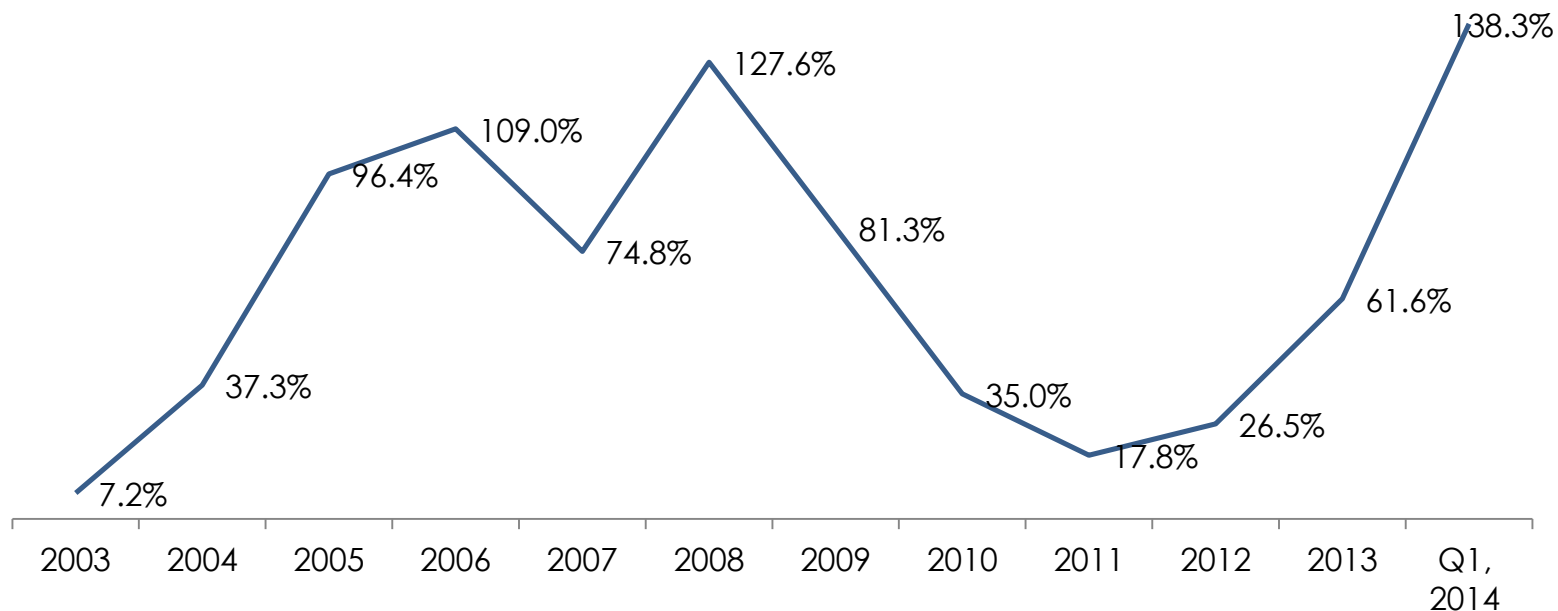
### TRADED VALUE - DFM (2003 –Q1,2014 )

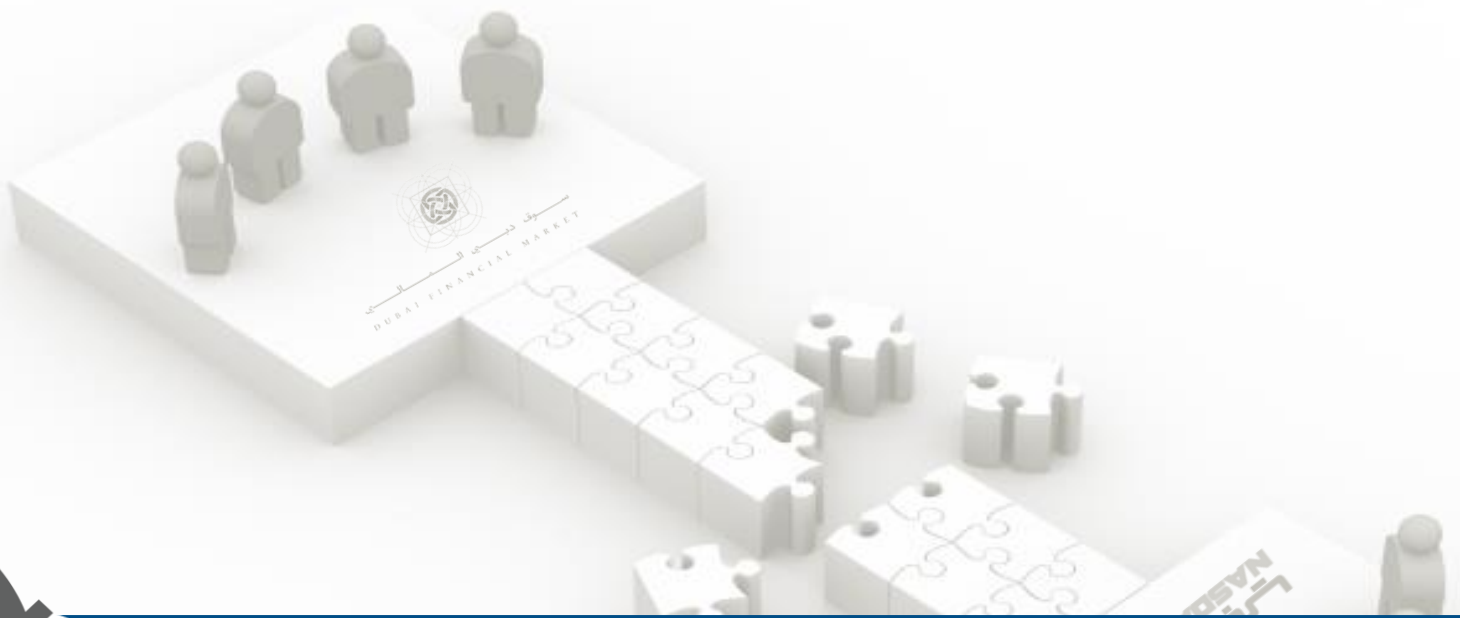
All figures in AED Mn



DFM exchange has seen a surge in trading driven by improved domestic economic environment and enhanced banking system liquidity. The YTD trading volumes are up 428% YoY on the DFM exchange

### VELOCITY (2003 – Q1, 2014)

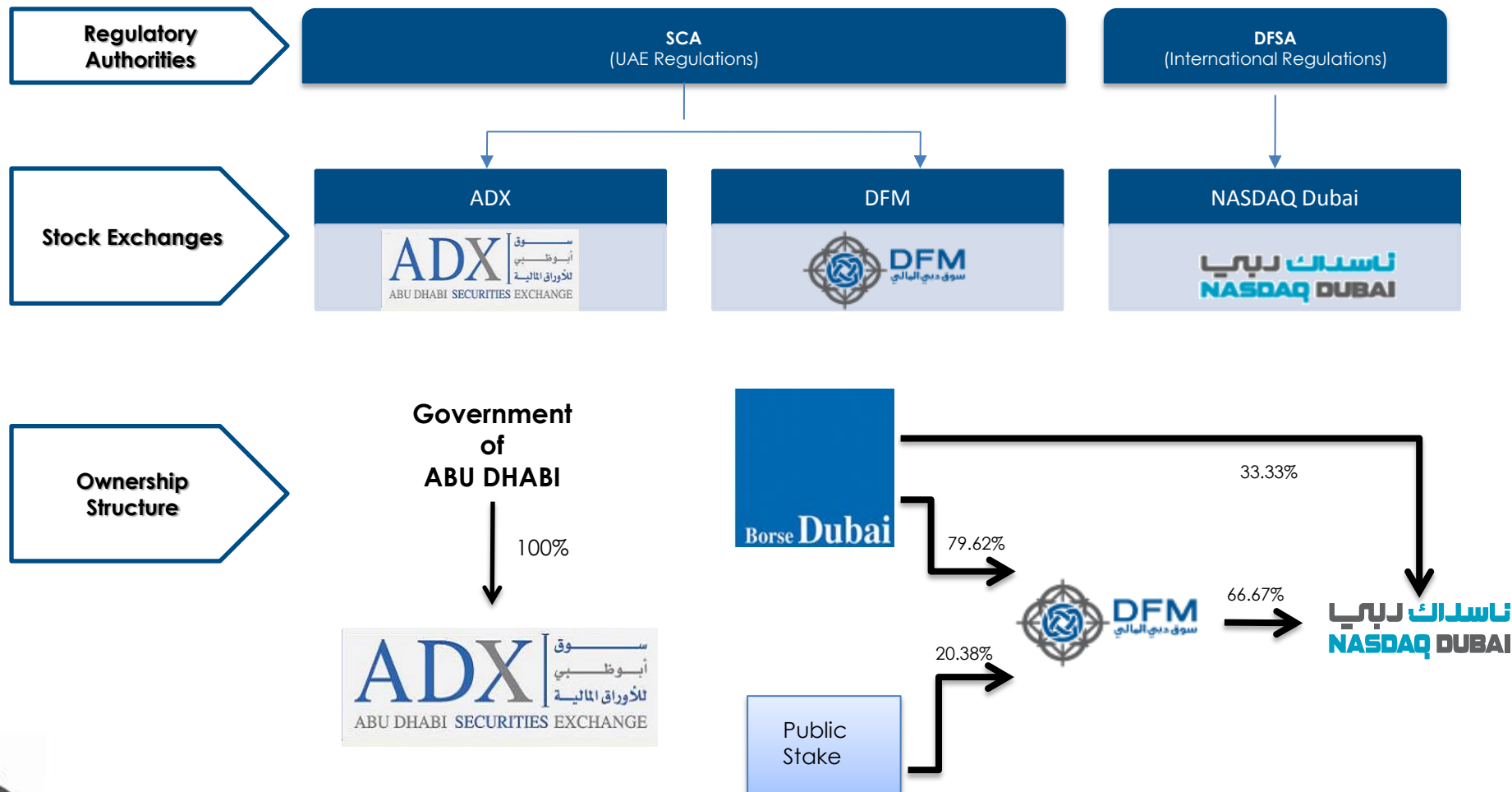




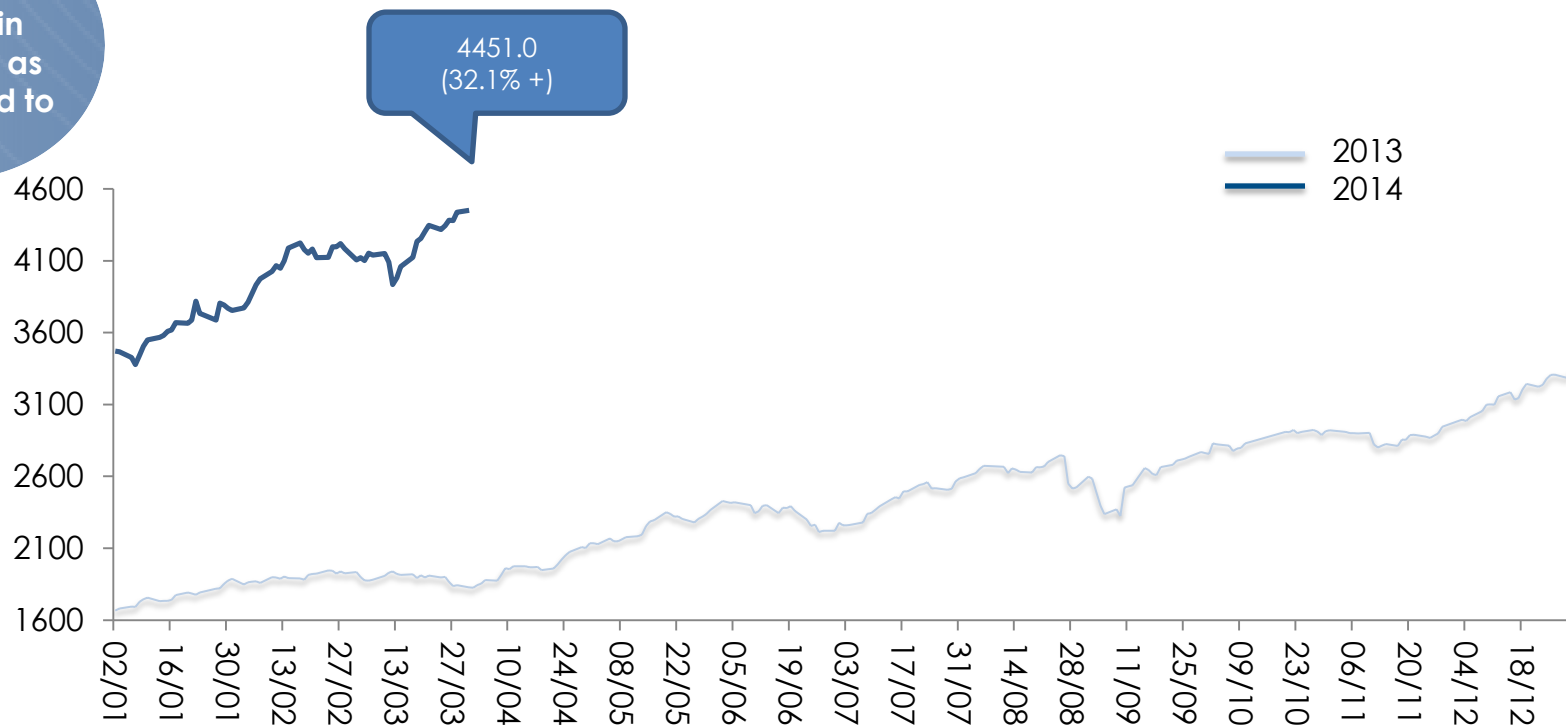
# DFM / NASDAQ DUBAI

TWO EXCHANGES, ONE MARKET





32.1% Index  
growth in  
Q1, 2014 as  
compared to  
2013



### Trading Activity : Client type Mix

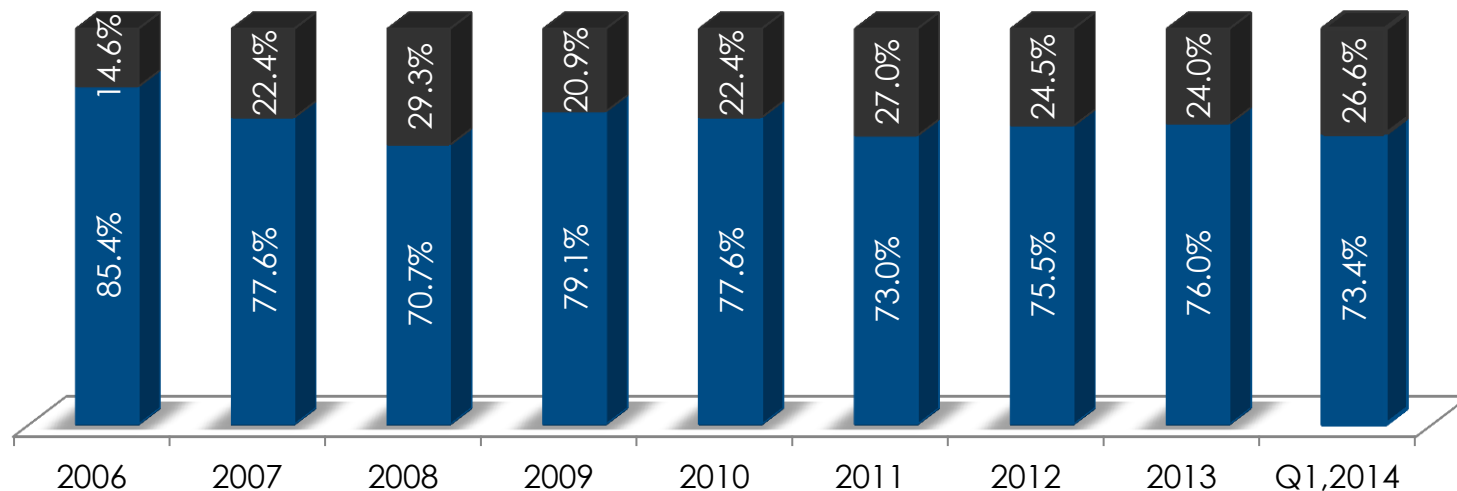
#### Q1, 2014 – TRADING ACTIVITY PATTERN

AVERAGE RETAIL TRADING = 73.4%

AVERAGE INSTITUTIONAL TRADING = 26.6%

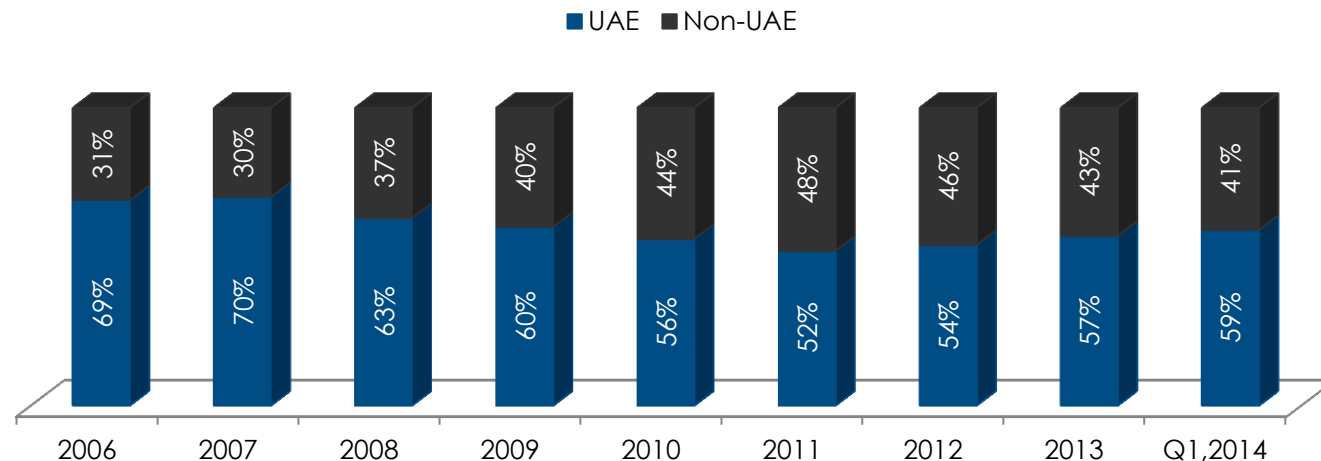
#### TRADING ACTIVITY BY CATEGORY

■ RETAIL ■ INSTITUTIONAL

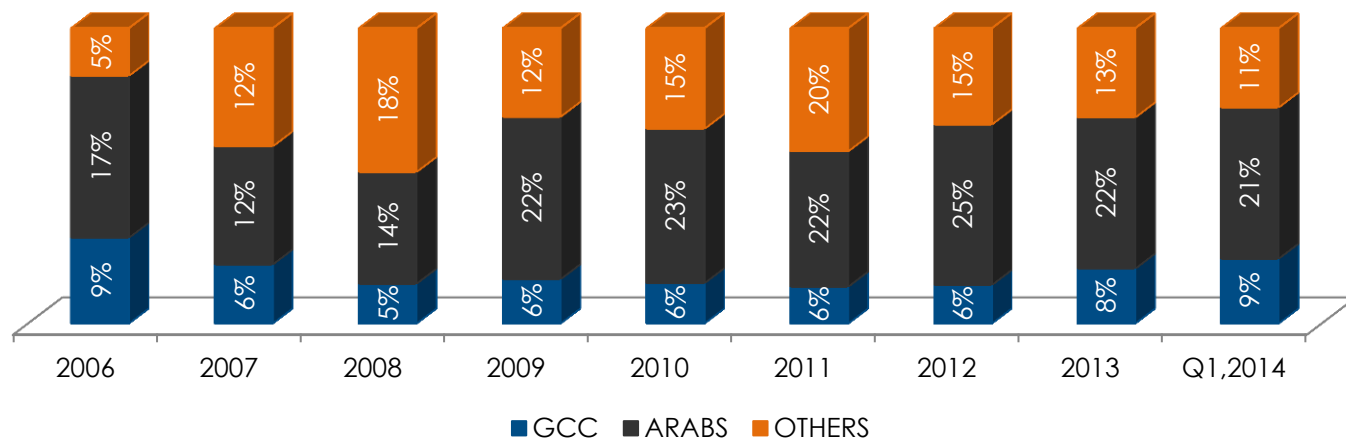


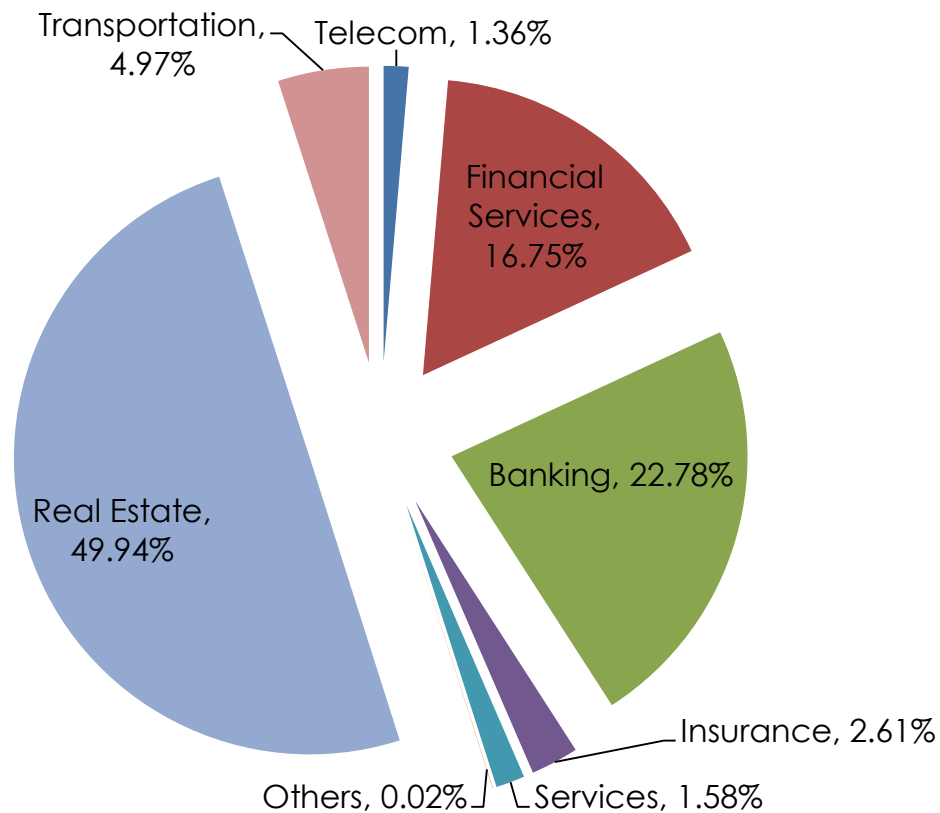
Q1, 2014 has been a growth quarter with institutional investor trading hovering around to 26%, however with the MSCI upgrade to emerging market status, a surge in institutional activity is expected in 2<sup>nd</sup> quarter of the year

### UAE VS. Non UAE Trading Activity



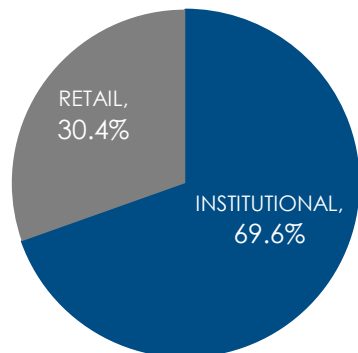
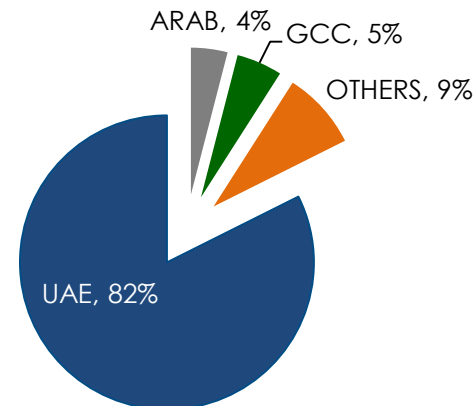
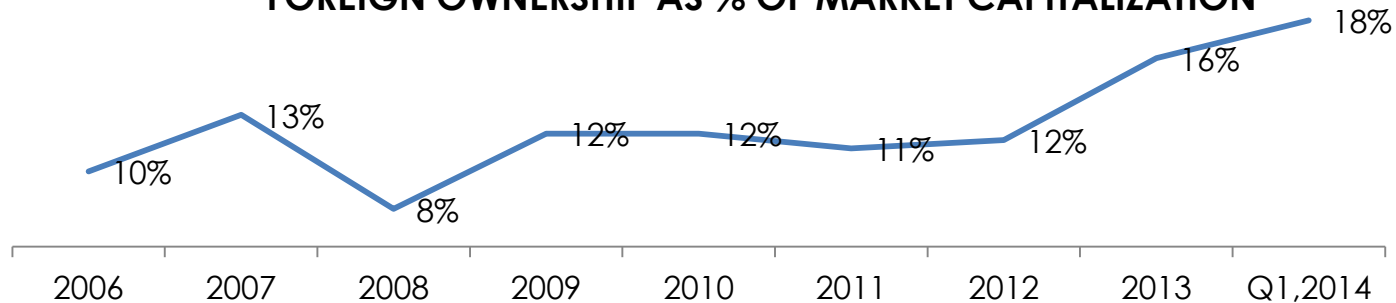
### Non UAE Trading Activity



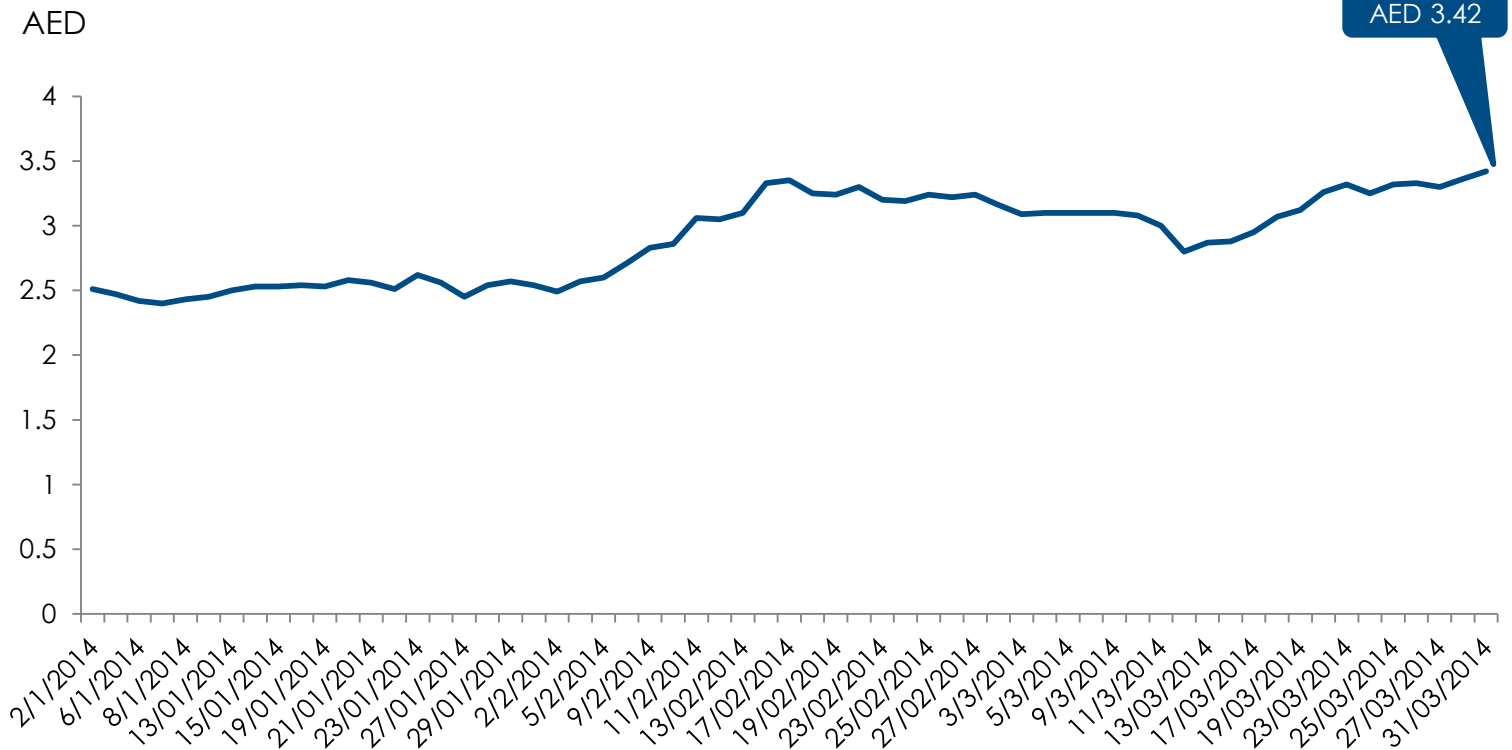
Trade  
Activity –  
By Sector  
Q1, 2014

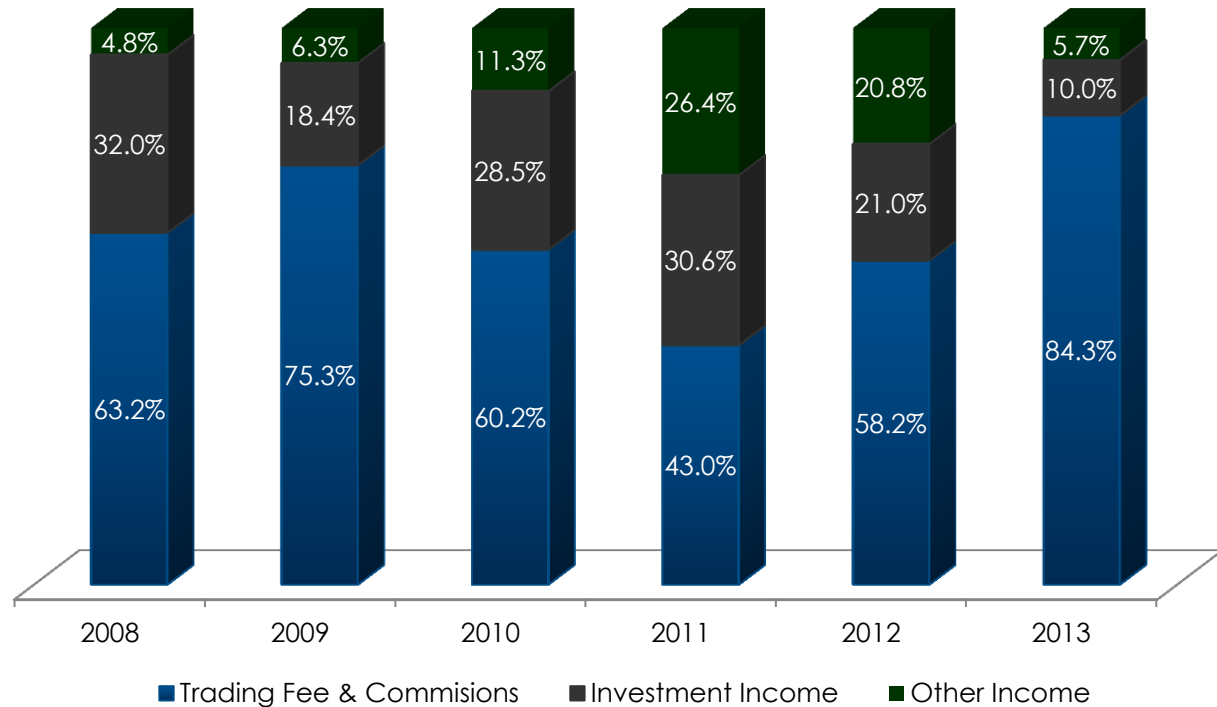
\* Others includes Consumer Staples and Industrial Sectors

**Distribution  
of Share  
Ownership  
Q1, 2014**

**BY TYPE OF INVESTOR****BY NATIONALITY****FOREIGN OWNERSHIP AS % OF MARKET CAPITALIZATION**

### DFM Share Price Movement Q1, 2014



Revenue  
Breakdown  
2008-2013



- Easy accessibility
- No income and capital gains tax
- Non-restricted repatriation of capital
- Minimal foreign exchange risk
- Foreign ownership allowed for most listed companies
- Diverse base of listed companies
- Local and international regulatory framework
- Innovative trading capabilities





# CORPORATE STRATEGY

DFM – NASDAQ DUBAI

- Upgrade to MSCI Emerging Market Status
- G30 Compliance and addressing the gaps
- Organizational restructuring and monetization of financial services
- Initiating investor –centric services to increase liquidity and trading activities post merger
- Smartphone based services
- IPO focus and listings



### Key criteria's for Emerging market status

DFM has met all eligibility criteria's for MSCI upgrade and is been moved to Emerging Market status effective June 2014

Key Features		
CRITERIA	Emerging	DFM / ND
<b>A. ECONOMIC DEVELOPMENT</b>		
A.1 Sustainability of economic development	No requirement	Strong economic fundamentals with expected GDP growth of 4.5% for 2013-14
<b>B. SIZE AND LIQUIDITY REQUIREMENTS</b>		
B.1 Number of companies meeting the following standard index criteria	3	12
i) Company size ( Full market cap )	USD 873 Mn	USD 89 Bn
ii) Security size ( Float market cap )	USD 436 Mn	USD 20 Bn
iii) Security liquidity	15% ATVR	55%
<b>C. MARKET ACCESSIBILITY CRITERIA</b>		
C.1 Openness to foreign ownership	Significant	49% (Current Foreign Ownership – 18%)
C.2 Ease of capital inflows/outflows	Significant	Significant
C.3 Efficiency of operational framework	Good & tested	Good & tested *
C.4 Stability of the institutional framework	Modest	Good *

\* Successful DVP implementation and introduction of SBL as part of G30 compliance

### Delivery Vs. Payment : Implementation

DvP  
methodology  
has been  
successfully  
implemented  
at DFM as of  
2012-13

#### Key Features

##### UNCHANGED

1. T+2 settlement cycle;
2. Pre-validation of sell orders will be maintained.  
*This means a seller's agent trading account with local custodian must have securities balances for pre-validation before a sell order can become a valid order.*

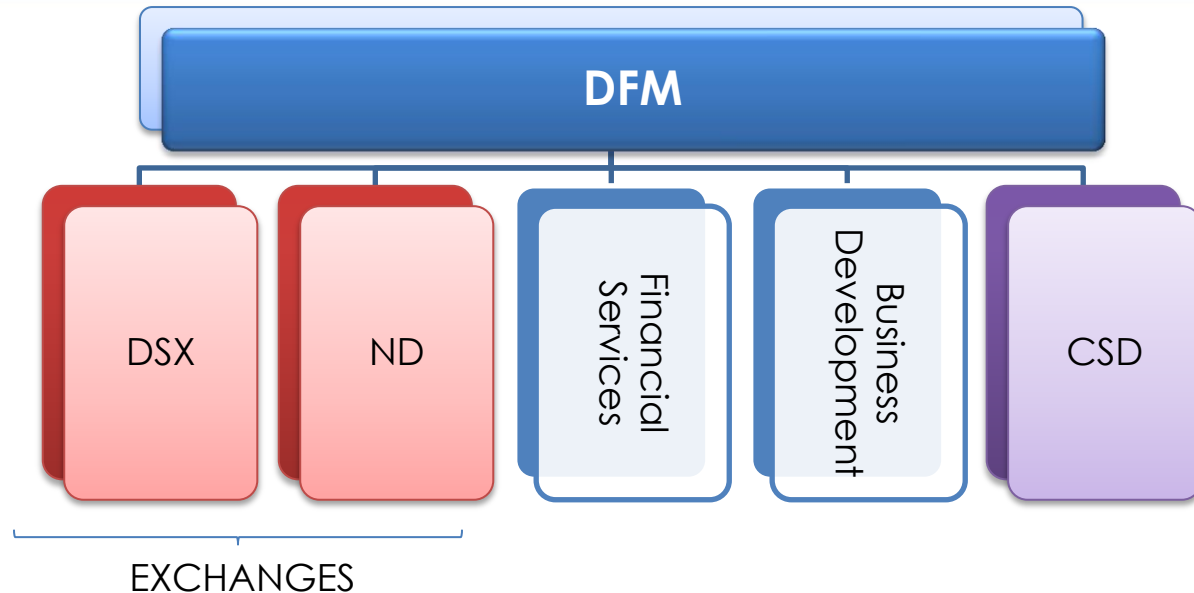
##### CHANGED

1. Permitting Local Custodians ability to reject cash and securities settlement of sell trades back to executing Broker for settlement if Local Custodians do not receive (matched) settlement instructions from clients – Local Custodians now have full control of assets [unnecessary to operate dual accounts].
2. Enhancing current rejection process for settlement of purchase trades;
3. Introduction of a Late Confirmation Period of T+4
4. Securities fails handling mechanisms which comprises:
  - a. Optional buy-in [between T+2 and T+3]
  - b. Mandatory buy-in by DFM on T+4.
  - c. Cash close out against the Local Custodian client [if mandatory buy-in against selling Broker by DFM fails on T+4]. Penalties for Late Confirmation.

#### Reasons for adopting the changes

1. Reduce risk in Local Brokers having unlimited access to the Local Custodian Client Agent Trading Account.
2. Eliminate the requirement to use a dual account structure.
3. Progression in meeting international best practices under a pre-validation of sale market infrastructure.
4. Facilitate the achievement of Emerging Market status under the MSCI market classification.

New  
organizational  
structure



### Key Growth Initiatives

- Trading Enhancements
  - Margin Trading
  - Equity Swaps
  - Warrants
- Enhanced Brokerage Services

- iVESTOR Cards
- Dividend Distribution
- Market Data Feed

- Web Advertizing
- Online Subscription
- IPO initiatives

- e-Reports & e-Services
  - DVP
  - SBL
- In-house IPO System

DFM has commissioned Independent Research Consultants for intensive IPO study

**2009**  
Research over 500 companies in the UAE

**2011**  
Research over 500 companies in the region, CIS, and Africa

**2010 -2013**  
Dialog with top 100 companies in prime position of going public on DFM & NASDAQ Dubai

**Targeted IPO marketing campaign to attract issuers through out the period**

The following initiatives have been taken to support campaign:

**2009** Step by Step " DFM Guide to going public" launched

**2010** IPO Market Study Results from one on one with 40 potential IPO candidates

**2011** -IPO Retreat for private, semi-government and family owned businesses.  
-MOU with JAFZA (JABAL Ali Free Zones

**2012**

- Access to Capital Seminar for JAFZA  
-Regional IPO Market Study for NASDAQ Dubai

**2013**

-MOU with Dubai SME  
-2<sup>nd</sup> Access to Capital Seminar for SME  
-NASDAQ Dubai IPO Guide  
-Road show for IPO in India & Kuwait.  
-2<sup>nd</sup> IPO Retreat on November 19<sup>th</sup>.







# CONTACTS :



## **Racha Al Chamut**

Manager, Investor Relations

P.O.Box: 9700, Dubai, UAE

Tel: +971 4 305 5650

Fax: +971 4 331 4924

[rchamut@dfm.ae](mailto:rchamut@dfm.ae)

## **Areej Al Saeed**

Office Manager

Executive Chairman's Office

P.O.Box: 9700, Dubai, UAE

Tel: +971 4 305 5607

Fax: +971 4 331 4924

[aalsaeed@dfm.ae](mailto:aalsaeed@dfm.ae)

