

Dubai Financial Market

Investor Presentation
Q1,2015

حيث ملتقى السيولة
Connecting Liquidity



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THE REGION – MENASA / GCC/ UAE

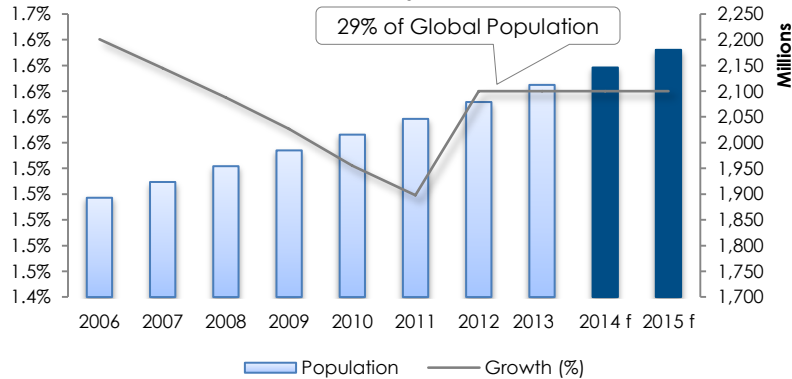
AN ECONOMIC POWERHOUSE

MENASA REGION : SOLID ECONOMIC FUNDAMENTALS -PROMISING GROWTH

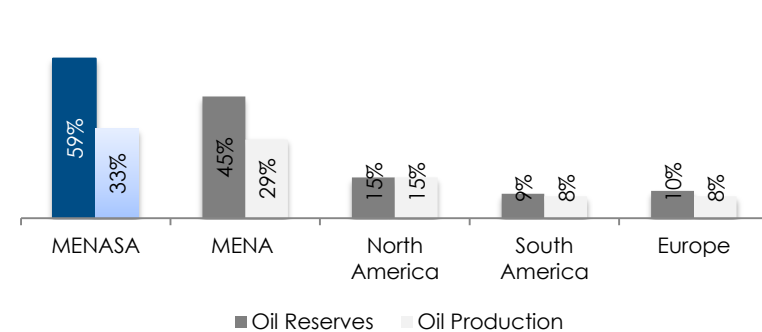


MENASA region is emerging as a powerful economic bloc with tremendous growth potential, combining the sovereign wealth funds (SWFs) of the Mena region to the economic growth story of, say, India, hence, the economic paradigm shift towards this region from other emerging markets

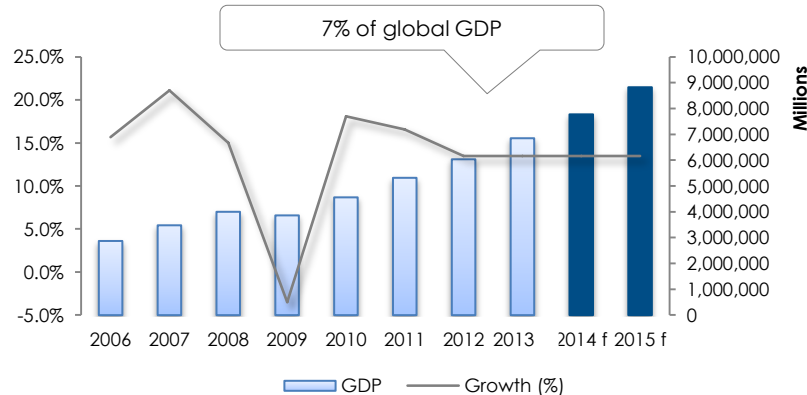
Population Projections



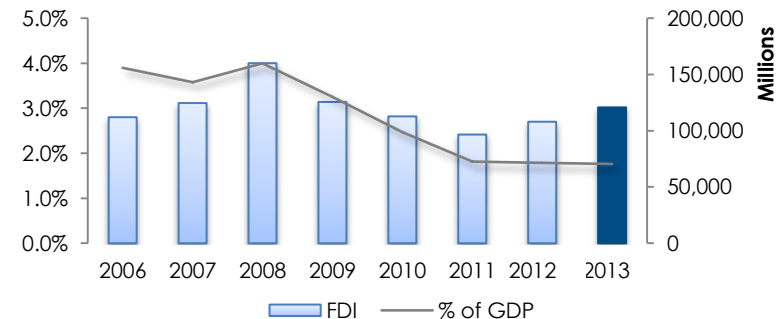
Oil Reserves and Production (% of Global Total)



GDP 2014-15 (USD Millions)



FDI 2006 - 2013



The UAE, the second biggest Arab economy, is set to record 4% growth in GDP in 2015, led by a focus on adopting industrial policies that will drive sustainable development across the UAE.

-IMF 2015 Forecast



Region was able to quickly recover from the global crisis on the back of strong fundamentals

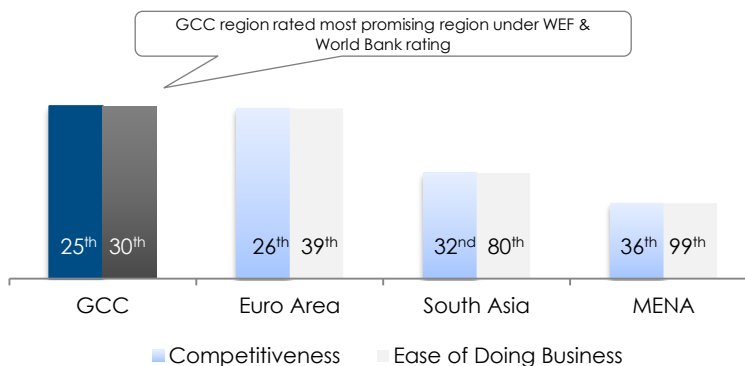
GCC – GDP 2010 - 2013

Country	2010	2011	2012	2013
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%
UAE	3.2%	3.3%	3.8%	4.9%

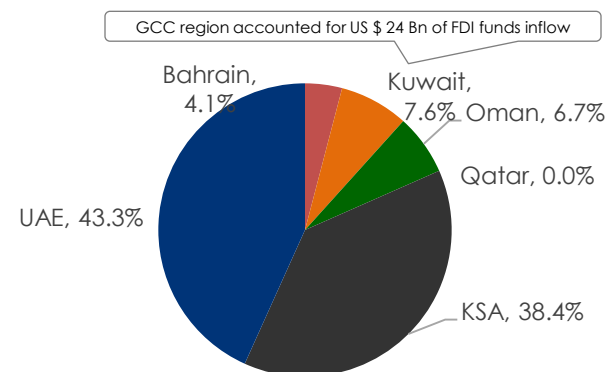
GCC – Country Ratings 2013

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-
UAE	AA	Aa2	AA-

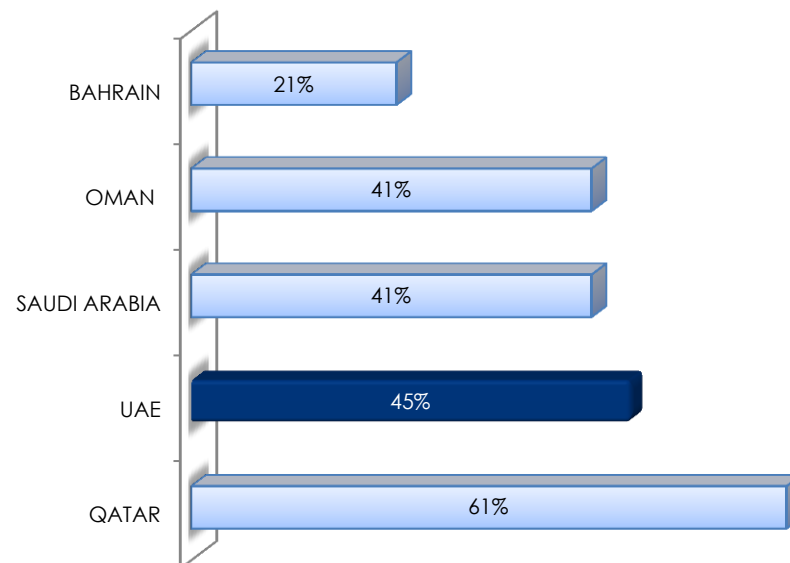
GCC Ranking 2013



GCC – FDI Share by Country 2013



- Strong growth in the non-hydrocarbon sector
- Regional wealth and liquidity
- Fiscal discipline with increase in investment spending
- UAE's service driven economy benefitting from the global trade
- US\$ 50 B worth of infrastructural projects still under construction in UAE

Oil / Gas as % of GDP (2014)



DUBAI

THE FINANCIAL HUB OF MIDDLE EAST

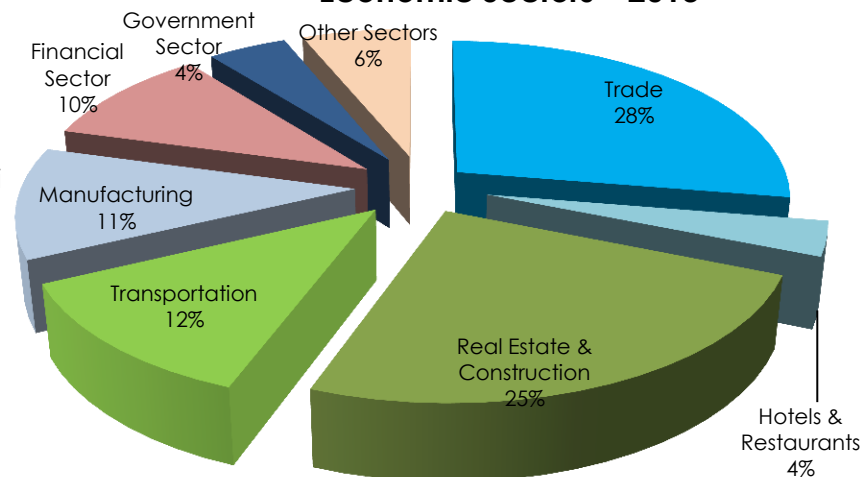
Dubai's core strengths remain fundamentally sound

"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 – 2013



Strengths	Reasoning
Highly sophisticated financial centre	Dubai is ranked 7 th 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 8 th 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 2014
Solid tourism sector	Hotel occupancy rates remained high throughout 2014 at 87%, benefitting both tourism and trade activities

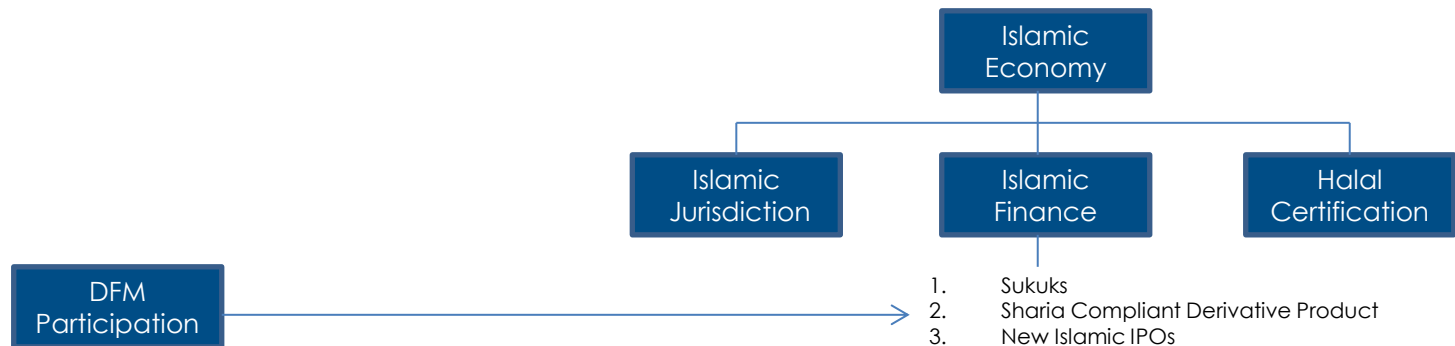
Dubai plan to
become the
Capital of
Islamic Economy
in the next 3
years

Initiative:

The vision of His Highness Sheikh Mohammed, Ruler of Dubai, to transform Dubai into the capital of the Islamic economy has given a different resonance to this fast-growing sector of global economy. Dubai has indeed a row of strengths to take on that status.

The Strength:

1. The geo-economics of Dubai and the combination of Eastern and Western cosmo-cultures, makes it easier to do business and more accessible to the key regions of Africa, the Levant, the GCC and Asia.
2. The legal and judiciary systems in Dubai guarantee the necessary security for business and FDI.
3. World class Infrastructure and expertise



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 2014 :

- Dubai GDP growth for 2014 is expected at 4.7%
- Foreign direct trade grew past AED 1 trillion mark in the first 9 months of 2014
- Dubai ranks 5th among top global destinations for travelers
- Dubai is ranked 8th in world competitiveness index up four positions from last year
- UAE ranks 14th in AT Kearney FDI Confidence Index serving as main hub in Arab world
- Real estate market is back on track with 23%+ growth in 2014 –making Dubai – one of the top performing market globally.

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

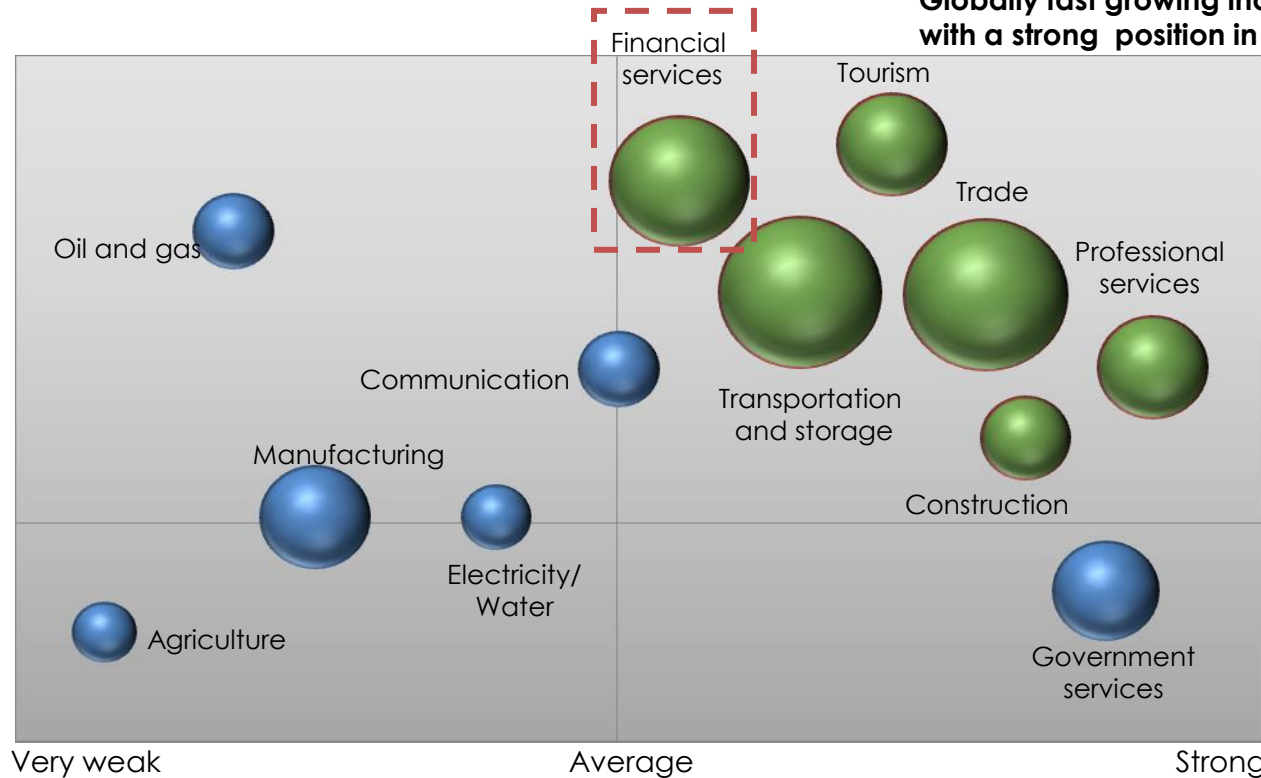
	OLD	NEW
Requirements		
Offer Size	Not be less than AED 10 million.	Not be less than AED 30 million.
Founders	Minimum 10 founding shareholders.	Minimum 5 founding shareholders.
Operating History	Not less than 2 years.	Not less than 2 years.
Annual profit	A minimum annual profit of 10% of received Paid Up Capital for the two fiscal years prior to the submission of the Initial Public Offering ("IPO") application.	A minimum annual profit of 10% of received Paid Up Capital for the two fiscal years prior to the submission of the Initial Public Offering ("IPO") application.
Dividend distribution	A minimum dividend distribution equivalent to 10% of received Paid Up Capital for the two fiscal years prior to the submission of the IPO application.	A minimum dividend distribution equivalent to 10% of received Paid Up Capital for the two fiscal years prior to the submission of the IPO application.
Founders hold	Founders hold not less than 20% and not more than 45% of the total authorized Share Capital.	Founders hold not less than 20% and not more than 70% of the total authorized Share Capital.
Refund Days	Two weeks	5 Days
Subscriptions period	90 Days	30 Days
Pricing	fixed price only - Book building allowed by regulatory approval	Book Building is now available for the companies as an another option with fixed price.
Underwriting	no underwriting or sponsor required	Underwriting could be applied and will be regulated by a ministerial decree
Foreign ownership	49% maximum foreign ownership	49% maximum foreign ownership but some exception can be granted upon ministerial decision

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

Globally faster
growing sectors

**Future global
growth
2015–**

Globally slower
growing sectors



Dubai's strength by international standards



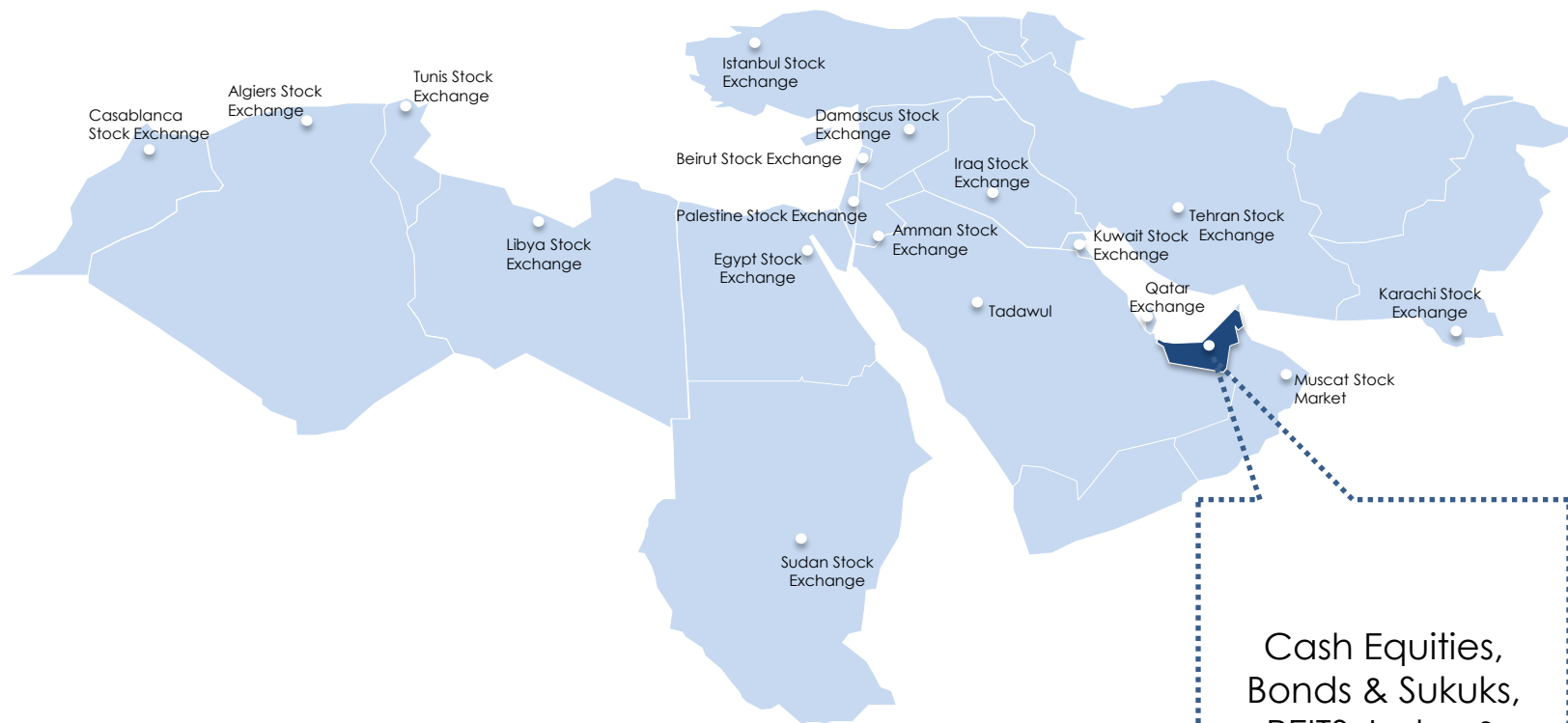
Sectors qualified
to be part of
future
growth path



CAPITAL MARKETS

UNITED ARAB EMIRATES

CAPITAL MARKETS: KEY EXCHANGES IN THE REGION

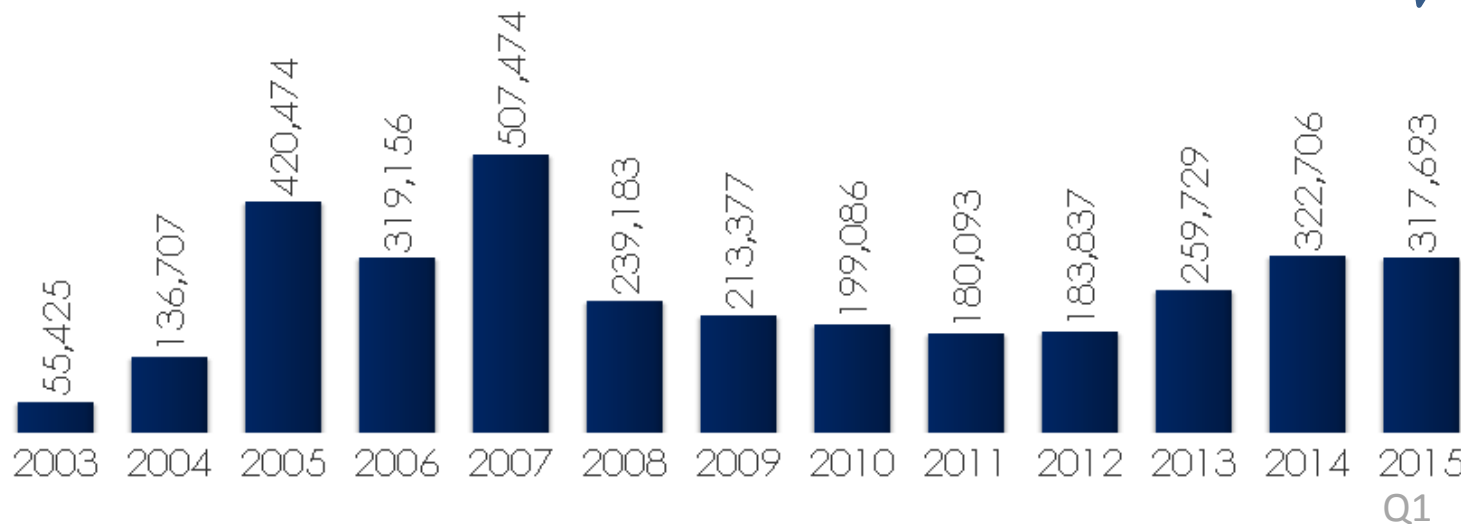


Only UAE offer a wide array of trade exchanges/products in the entire MENA region

Cash Equities,
Bonds & Sukuks,
REITS, Index &
Commodity
Futures

END-OF-PERIOD MARKET CAPITALIZATION (2003 –Q1, 2015)

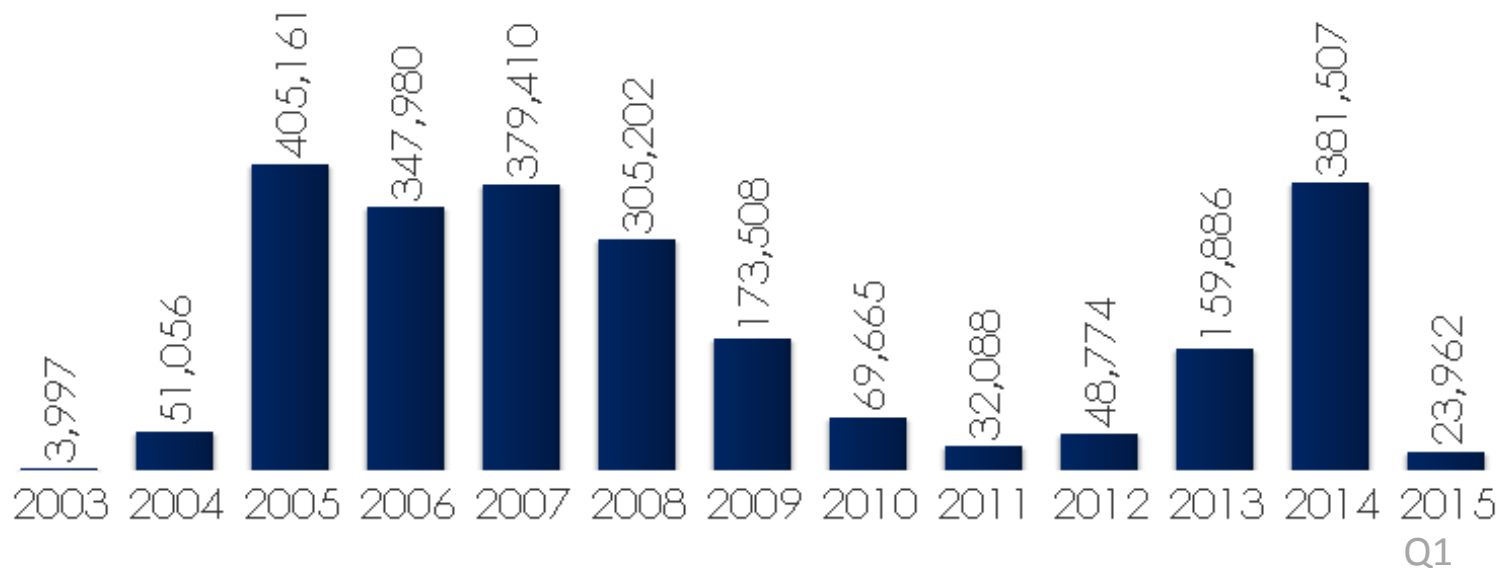
All figures in AED Mn



-1.6% drop in market capitalization in Q1, 2015

TRADED VALUE - DFM (2003 – Q1,2015)

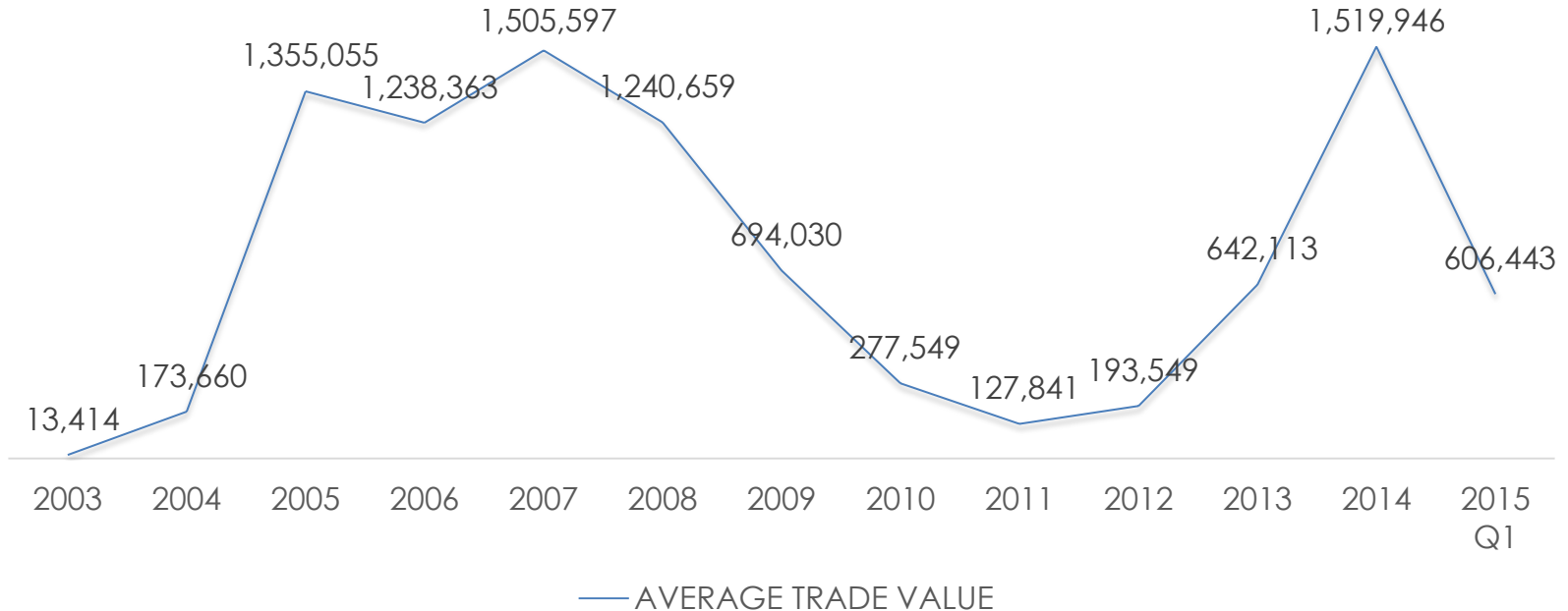
All figures in AED Mn



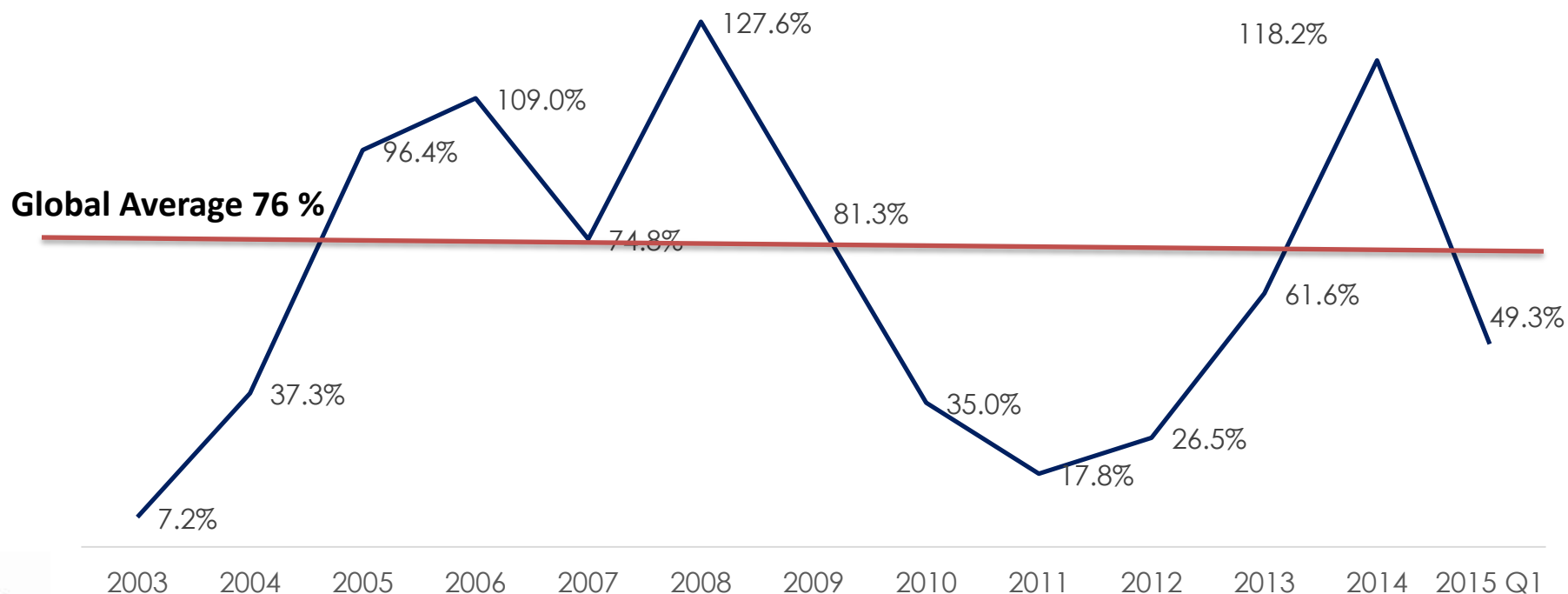
DFM exchange has seen a slow down in trading driven by regional instability, oil prices and general sentiments. The quarterly trading volumes are down 65% on the DFM exchange

AVERAGE TRADED VALUE - DFM (2003 – Q1,2015)

All figures in AED '000

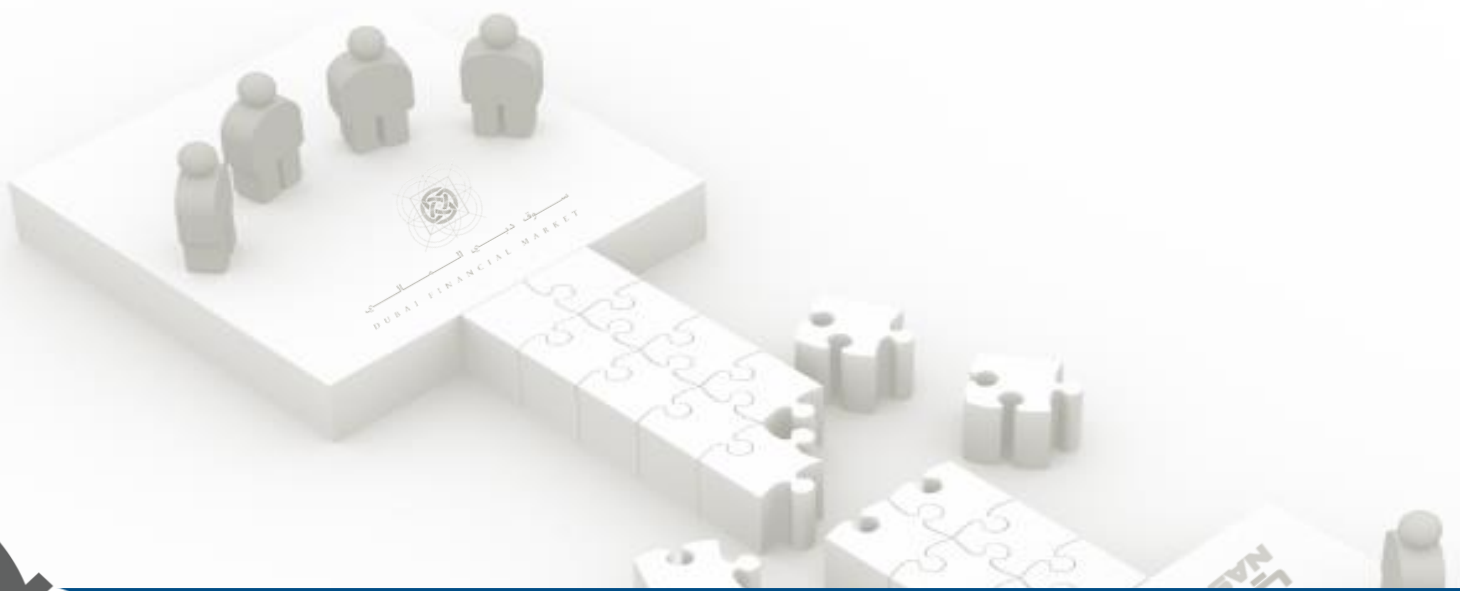


VELOCITY * (2003 – Q1,2015)



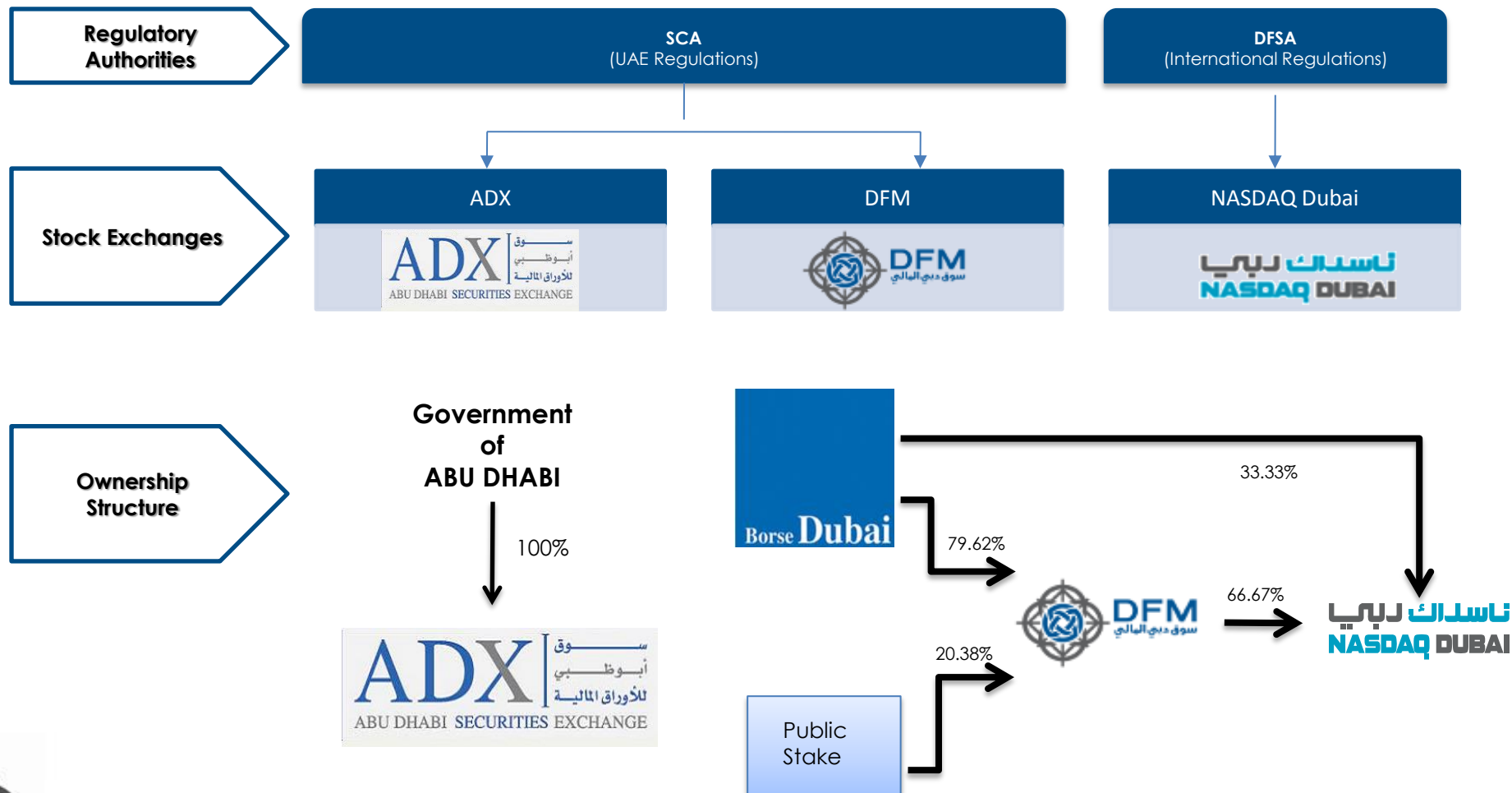
*Velocity is calculated as Annualized Trade Value / Market Capitalization

Source : DFM/ND Analytics

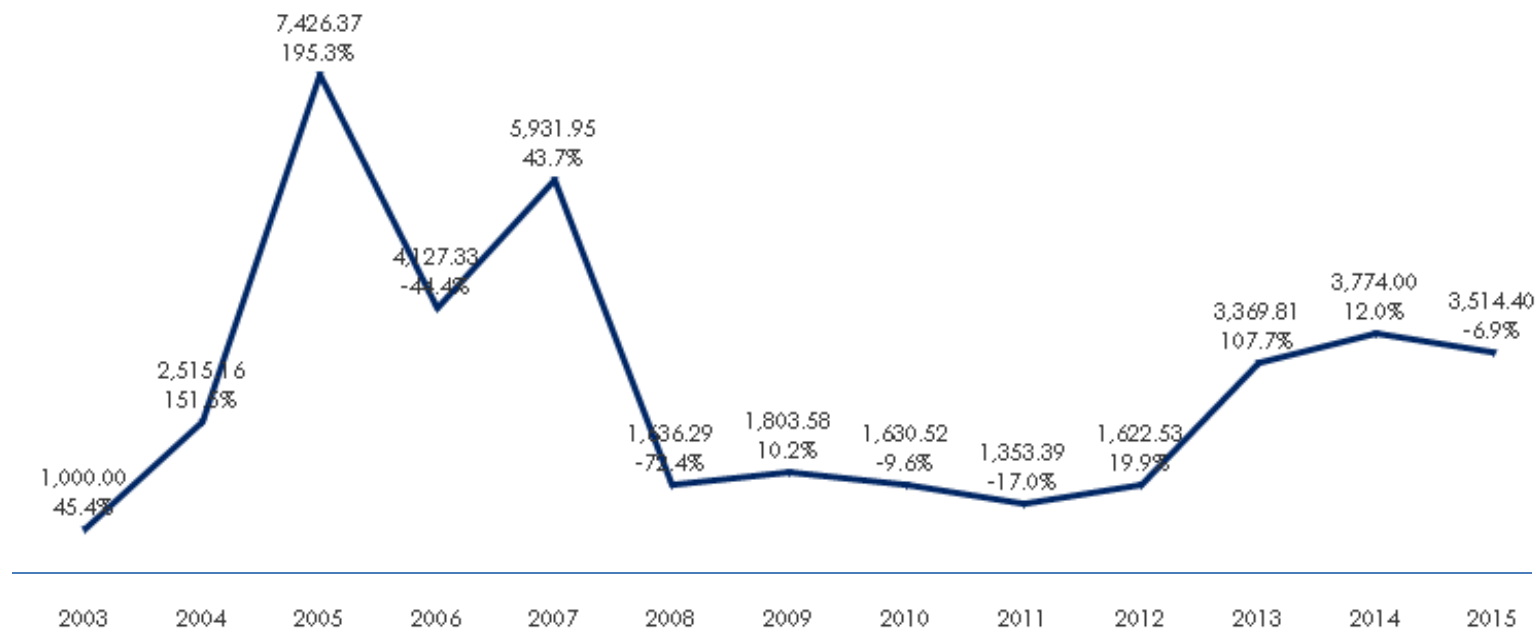


DFM / NASDAQ DUBAI

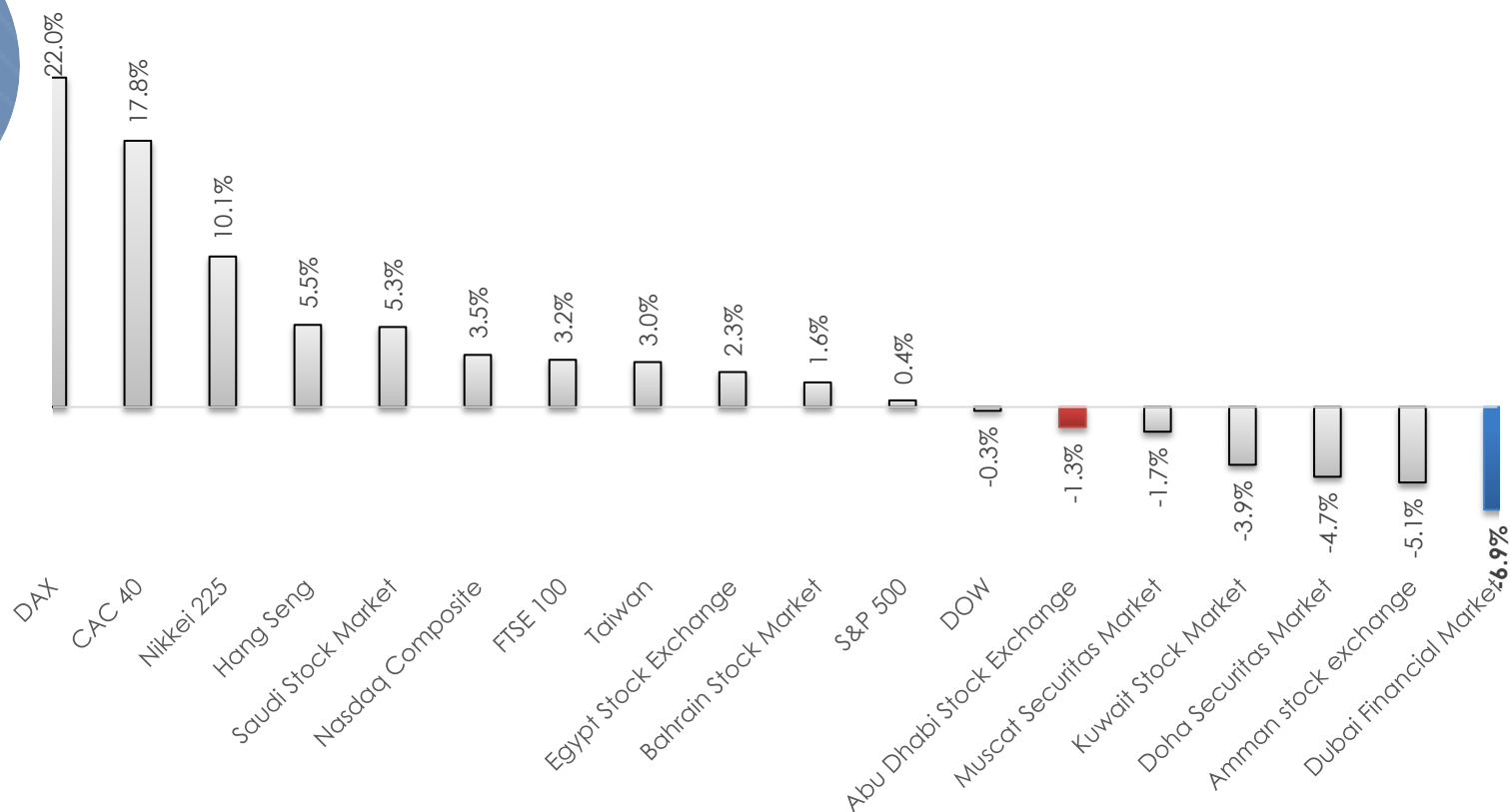
TWO EXCHANGES, ONE MARKET



7% Index
drop in
Q1,2015

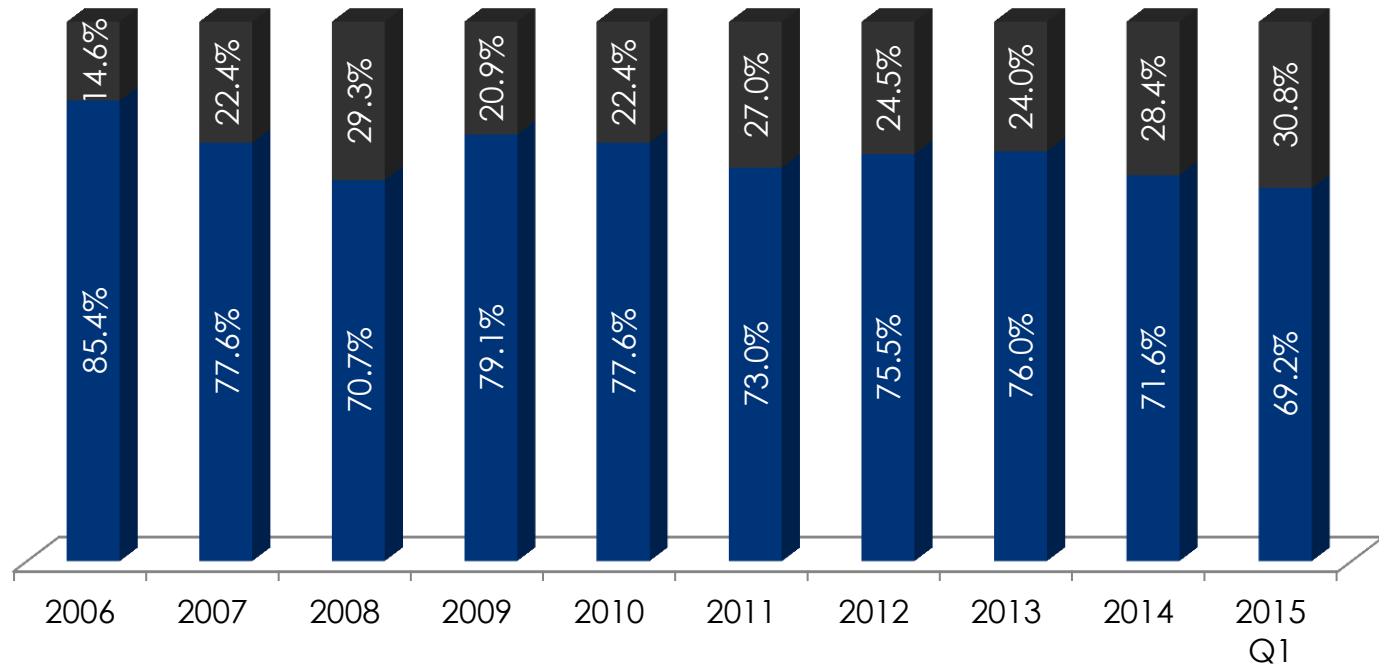


Index
performance
of global
exchanges
Q1, 2015



Trading Activity : Client type Mix

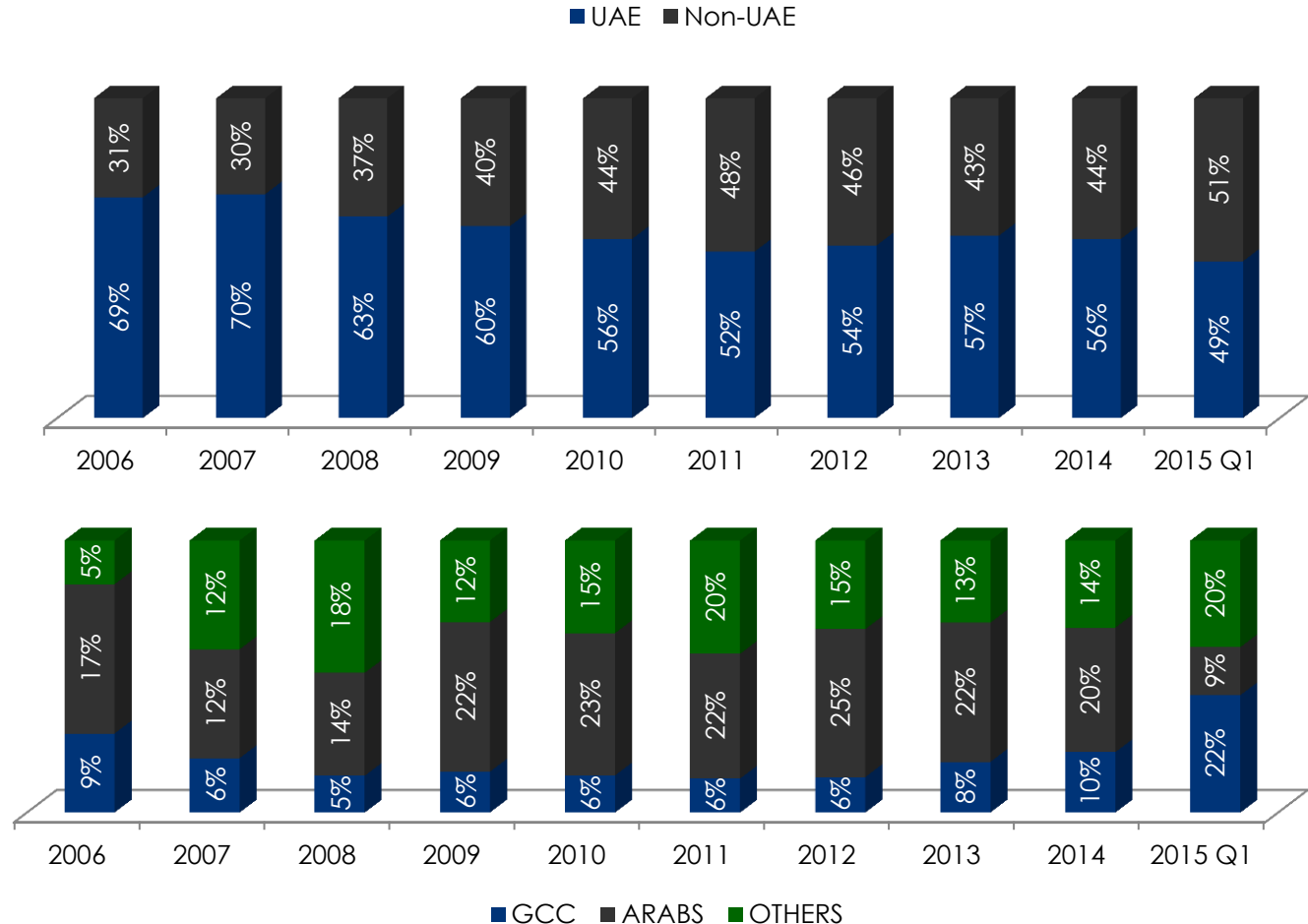
■ RETAIL ■ INSTITUTIONAL



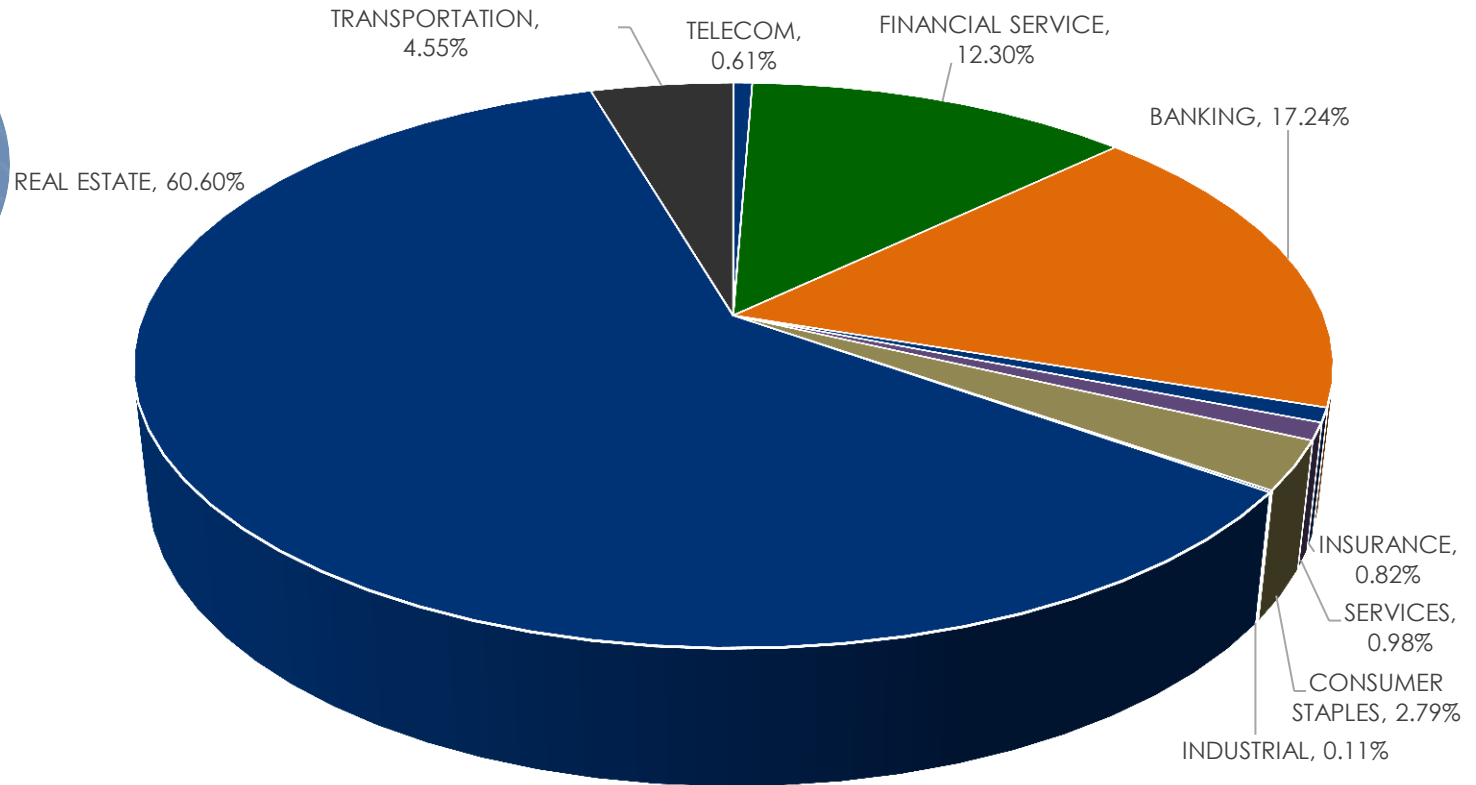
2015 has been a growth year with institutional investor trading hovering around to 31%, with the MSCI upgrade to emerging market status

UAE VS. Non UAE Trading Activity

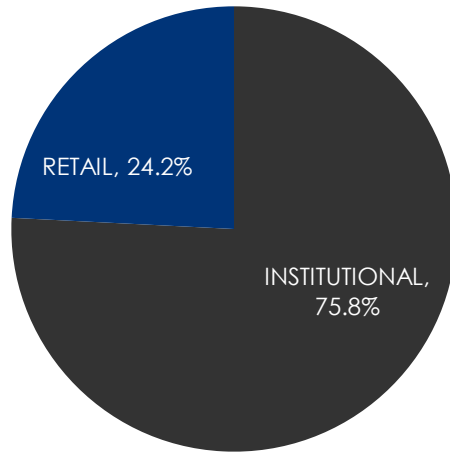
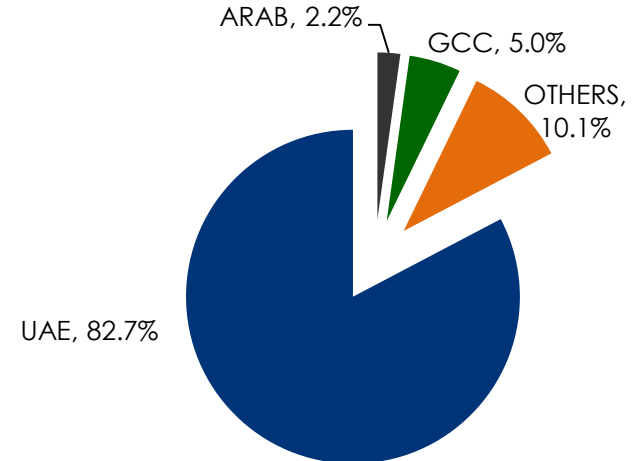
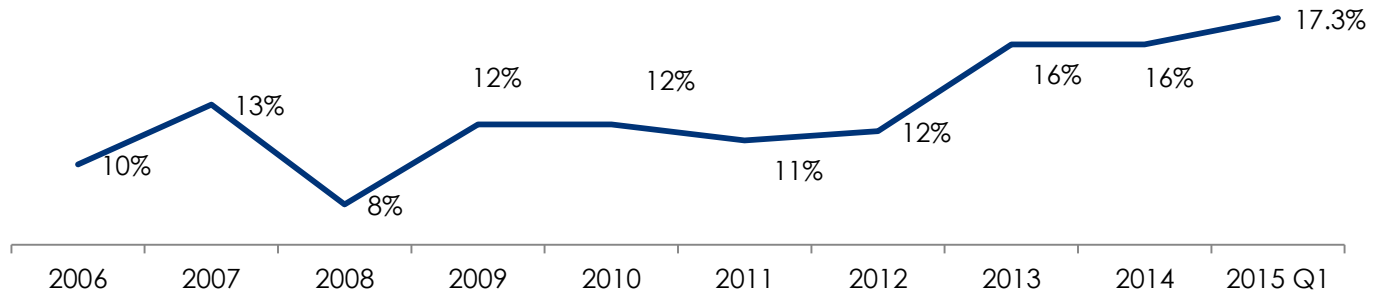
Non UAE Trading Activity



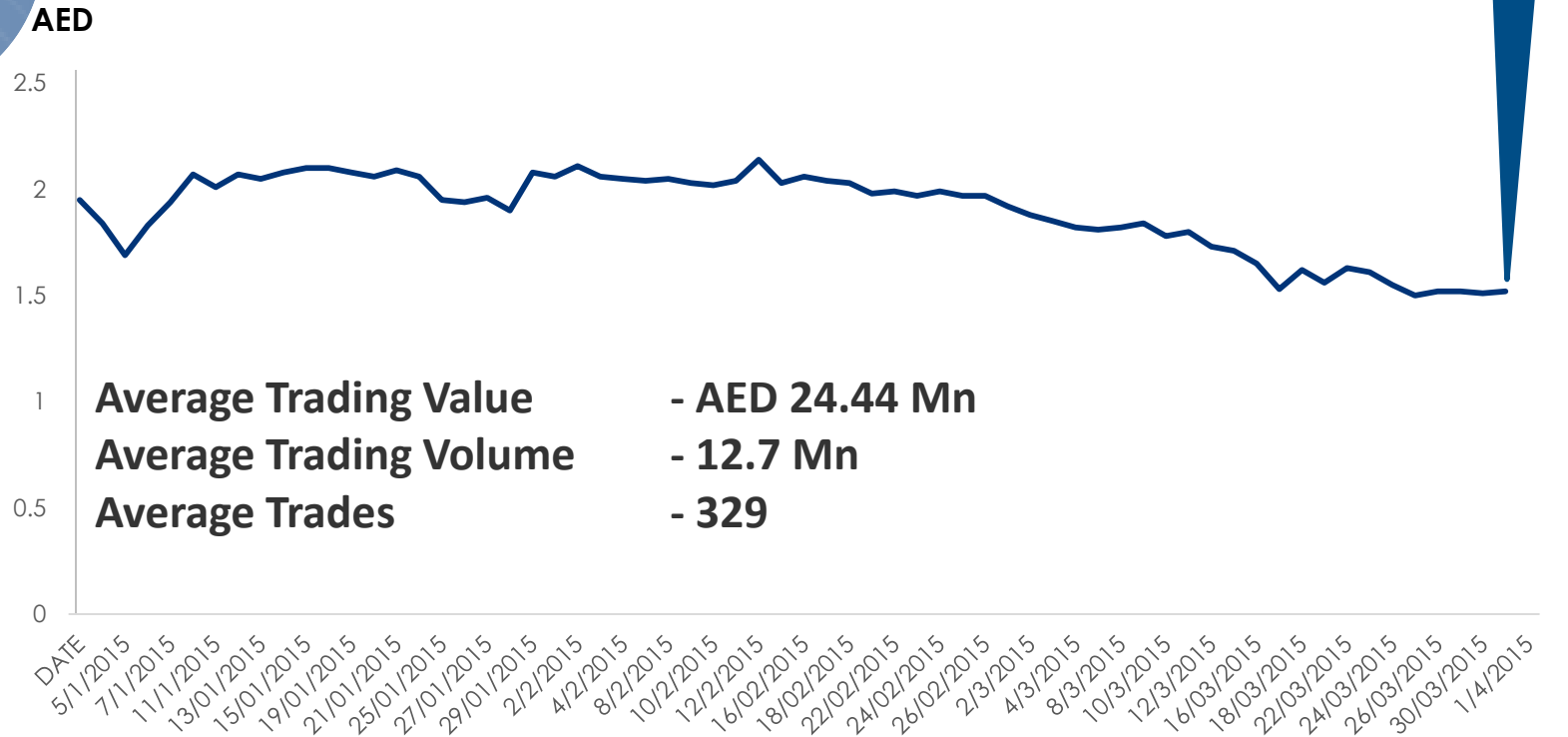
Trade
Activity –
By Sector
Q1, 2015



**Distribution
of Share
Ownership
Q1, 2015**

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

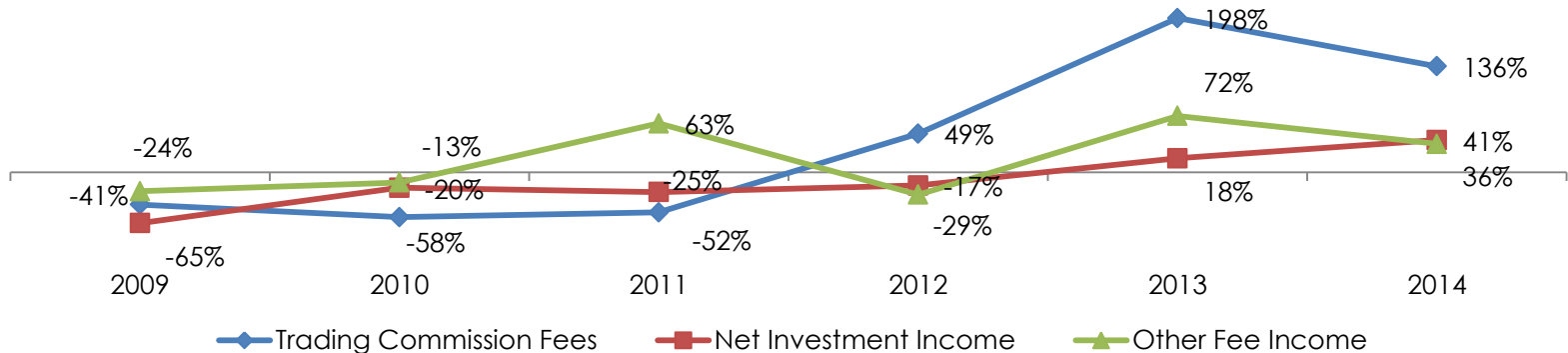
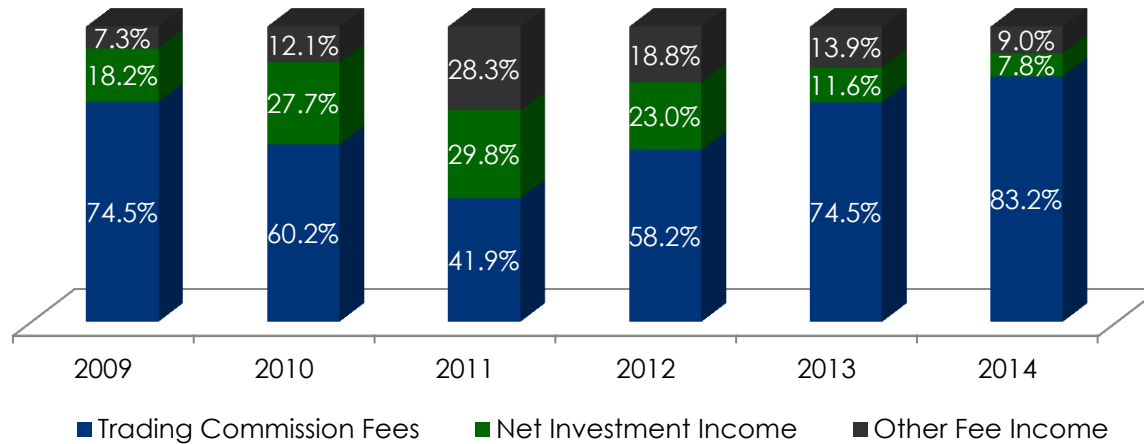
DFM Share Price Movement Q1, 2015



Key Financial
2009- 2014

	2009	2010	2011	2012	2013	2014	Q1 , 2015
Trading Commission Fees	374.7	158.7	76.8	114.8	341.6	806.0	85.3
Net Investment Income	91.5	73.2	54.6	45.3	53.4	75.4	10.7
Other Fee Income	36.7	31.9	51.9	37.0	63.7	86.9	21.3
Total Revenue	502.9	263.8	183.3	197.1	458.7	968.3	117.3
Salaries	43.1	57.2	56.6	57.5	71.7	78.7	20.6
General & Administrative	18.7	28.6	29.6	24.6	28.0	30.9	8.6
Rent	5.8	9.0	9.2	7.6	7.6	7.9	2.4
Depreciation	11.3	17.2	16.7	10.8	7.0	6.5	1.7
Amortization	75.9	75.9	75.9	62.4	62.4	62.4	15.6
Other Expense	1.5	3.4	9.5	2.3	-	-	-
Total Operating Expense	156.3	191.3	197.5	165.2	176.7	186.4	48.9
Interest Expense	-	-	-	-	(1.0)		(0.4)
Revaluation of Investments - Trading	-	1.0	(0.4)	-	-	(22)	-
Minority Interest	-	5.5	7.9	3.2	3.5	(0.5)	(0.3)
Net Income	346.6	79.0	(6.9)	35.2	284.6	759.3	67.7
EPS	0.04	0.01	-	-	0.04	0.09	-
EBIT Margin							58%
EBITDA Margin							73%

Revenue Breakdown 2009-2014



DFM : INVESTOR-CENTRIC

ATTRACTIVE PLATFORM FOR LOCAL & INTERNATIONAL INVESTORS



- 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
- Smartphone based services
- IPO focus and listings (4 New IPO in 2014 – Marka / Emaar Malls / Amanaat / Dubai Parks)



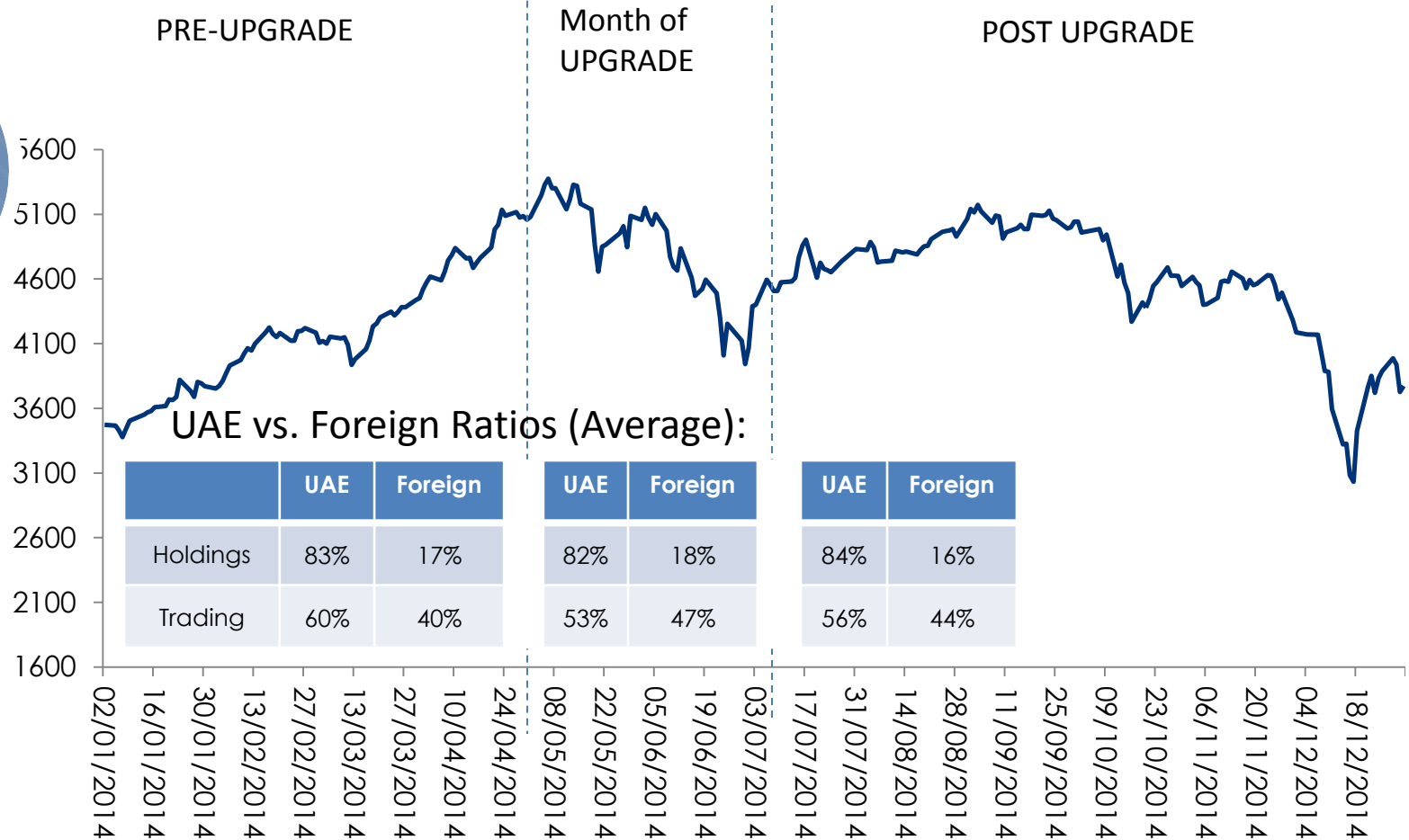
Key criteria's for Emerging Market status

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
A. ECONOMIC DEVELOPMENT		
A.1 Sustainability of economic development	No requirement	Strong economic fundamentals with expected GDP growth of 4% for 2015
B. SIZE AND LIQUIDITY REQUIREMENTS		
B.1 Number of companies meeting the following standard index criteria	3	12
i) Company size (Full market cap)	USD 873 Mn	USD 97 Bn
ii) Security size (Float market cap)	USD 436 Mn	USD 25 Bn
iii) Security liquidity	15% ATVR	55%
C. MARKET ACCESSIBILITY CRITERIA		
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

PRE & POST MSCI UPGRADE 2014



Delivery Vs. Payment : Enhancements

DvP methodology has been successfully implemented at DFM as of 2012-13. Further enhancements are carried out in 2014-15

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.

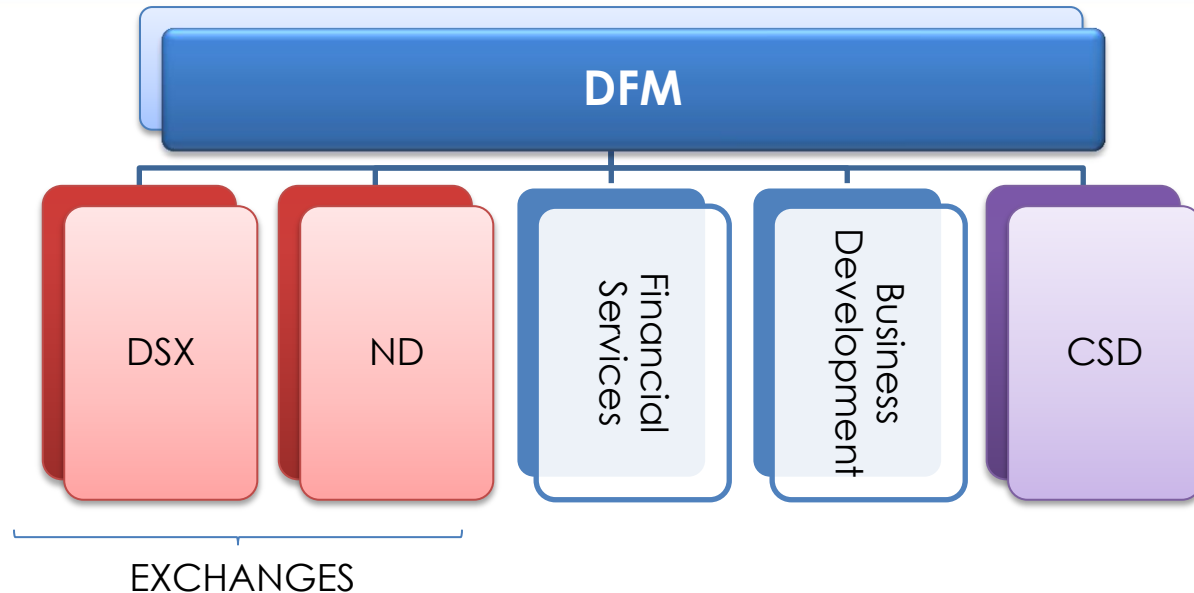
CHANGED

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 an irrevocable rejection on T+2 and 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.
 - d. Buyer cash compensation in the unlikely event securities are available for delivery.

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
- Sukuk & Murabaha Trading
 - Equity Swaps
 - Warrants
- Enhanced Broker Services (eBAR)

- iVESTOR Cards
 - Dividend Distribution
- Market Data Feed
 - eIPO

- Web Advertising
- Online Subscription
- IPO initiatives
- Enhanced Issuer Services (eSAR)

- e-Reports
- e-Services
 - DVP
 - SBL
- EFSAH

DFM has commissioned Independent Research Consultants for intensive IPO study



The following initiatives have been taken to support campaign:

2009	Step by Step " DFM Guide to going public" launched	2012	- Access to Capital Seminar for JAFZA Dubai -Regional IPO Market Study for NASDAQ Dubai -MOU with Dubai SME
2010	IPO Market Study Results from one on one with 40 potential IPO candidates	2013	-2nd Access to Capital Seminar for SME -NASDAQ Dubai IPO Guide
2011	-IPO Retreat for private, semi-government and family owned businesses. -MOU with JAFZA	2014	-Road show for IPO in India & Kuwait. -2nd IPO Retreat on November 19 th , 2013 - 4 IPOs
		2015	- New Company law announced. 3 rd DFM IPO forum on November 9



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