

Dubai Financial Market

Investor Presentation

2011 - 2012

حيث يلتقي السيولة
Connecting Liquidity



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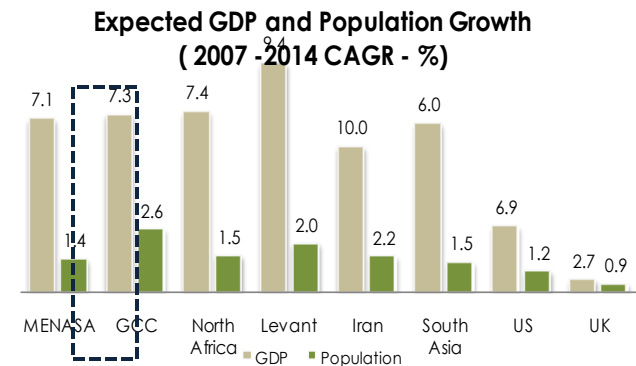
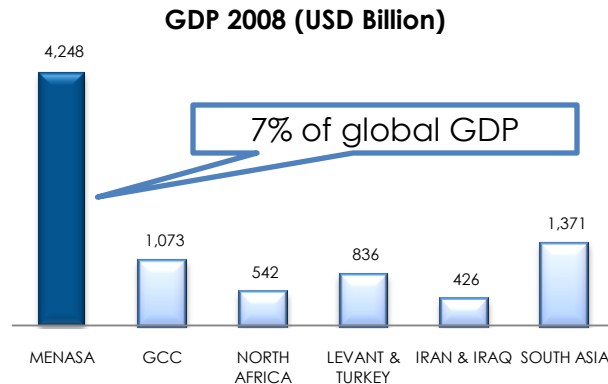
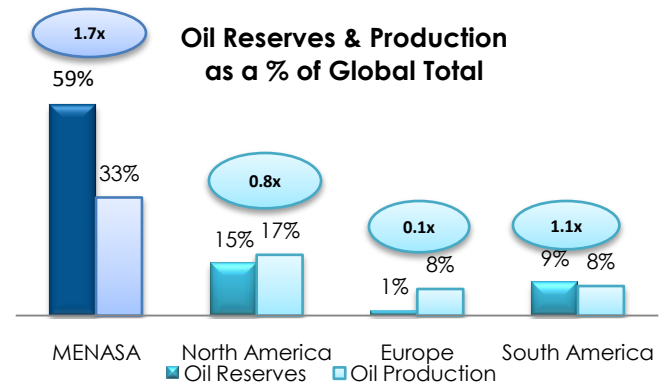
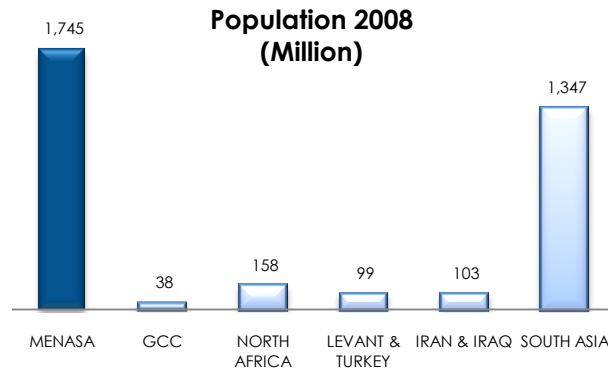
A faint, pixelated world map serves as the background. A small red dot is placed in the Middle East region, specifically over the Arabian Peninsula.

THE REGION – MENASA / GCC/ UAE

AN ECONOMIC POWERHOUSE

MENASA REGION : SOLID ECONOMIC FUNDAMENTALS -PROMISING GROWTH

Menasa regions 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.



MENASA REGION :

SOLID ECONOMIC FUNDAMENTALS

-PROMISING GROWTH

The UAE's strong fundamentals lessened the impact of the global financial crisis

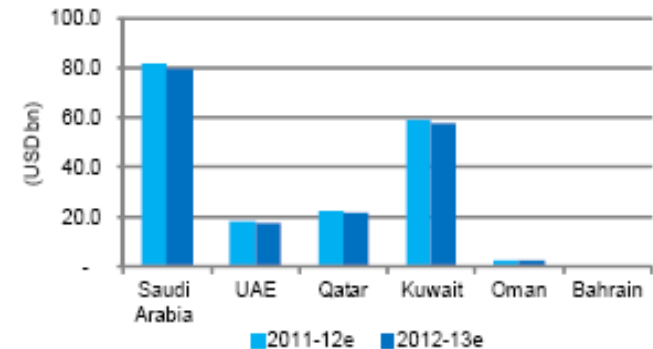
The UAE, the second biggest Arab economy, is set to record 3.3% growth in GDP this year, led by a focus on adopting industrial policies that will drive sustainable development across the UAE.

-IMF 2012 Forecast

Country GDP Growth Projections

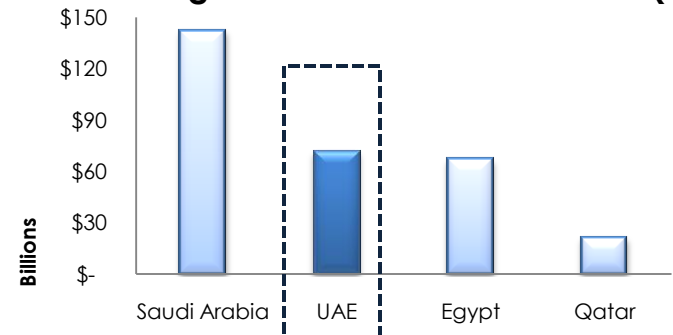
Country	2010	2011	2012e	2013e
Bahrain	4.1%	1.5%	3.6%	4.8%
Kuwait	3.4%	5.7%	4.5%	5.1%
Oman	4.1%	4.4%	3.6%	3.8%
Qatar	16.6%	18.7%	6.0%	4.3%
Saudi Arabia	4.1%	6.8%	3.6%	4.4%
UAE	3.2%	3.3%	3.8%	4.0%

Country Performance



- UAE is leading venue for FDI in MENA after Saudi Arabia
- UAE is ranked 22nd globally for Value of Imports and 21st for Exports
- The UAE ranked 3rd in the world for 'quality of infrastructure'

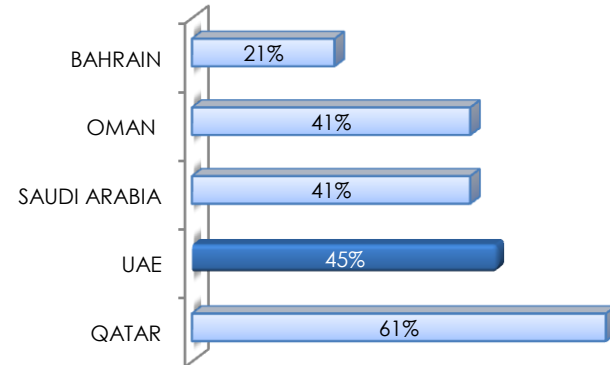
Top Destinations for Foreign Direct Investment in MENA (2011)



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

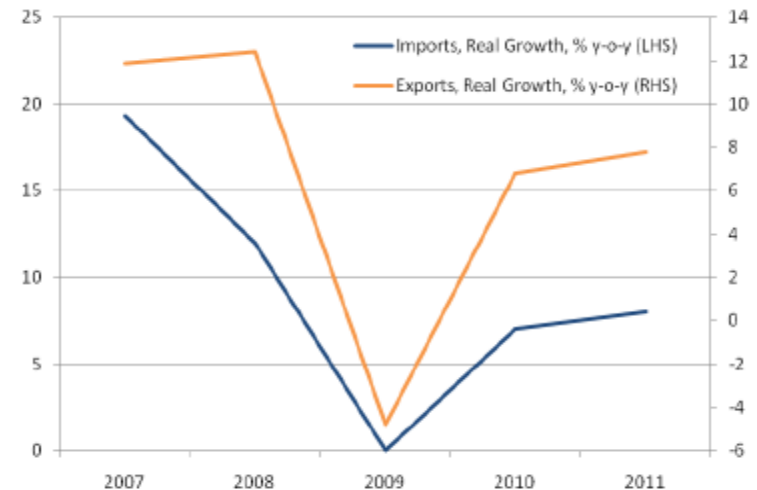
Oil / Gas as % of GDP (2011)



UAE Trade Matrix

	2007	2008	2009	2010	2011
Imports in current prices, USD (bn)	132.5	176.3	149.8	157.3	170.0
Import Growth, % y-o-y	32.4	33.1	-15.0	5.0	8.0
Exports in current prices, USD (bn)	180.9	239.2	188.7	221.9	241.4
Export Growth, % y-o-y	24.3	32.2	-21.1	17.6	8.8

UAE Import/Export Projections





DUBAI

THE FINANCIAL HUB OF MIDDLE EAST

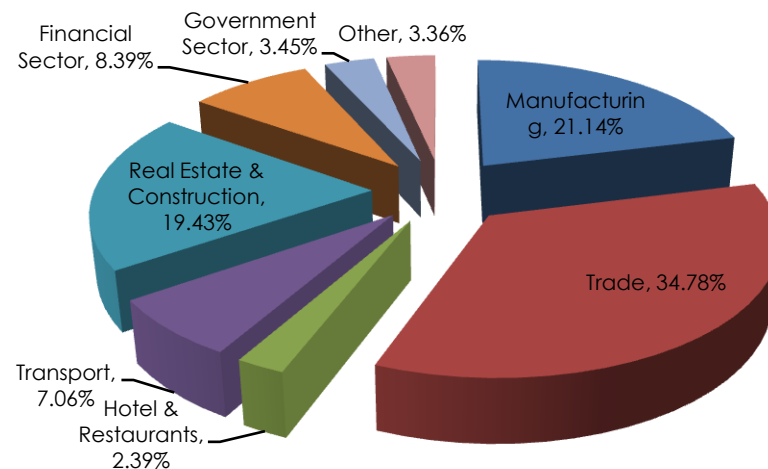
Dubai's core strengths remain fundamentally sound

"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 real estate

Dubai GDP Share Breakdown by Economic Sectors – 2011



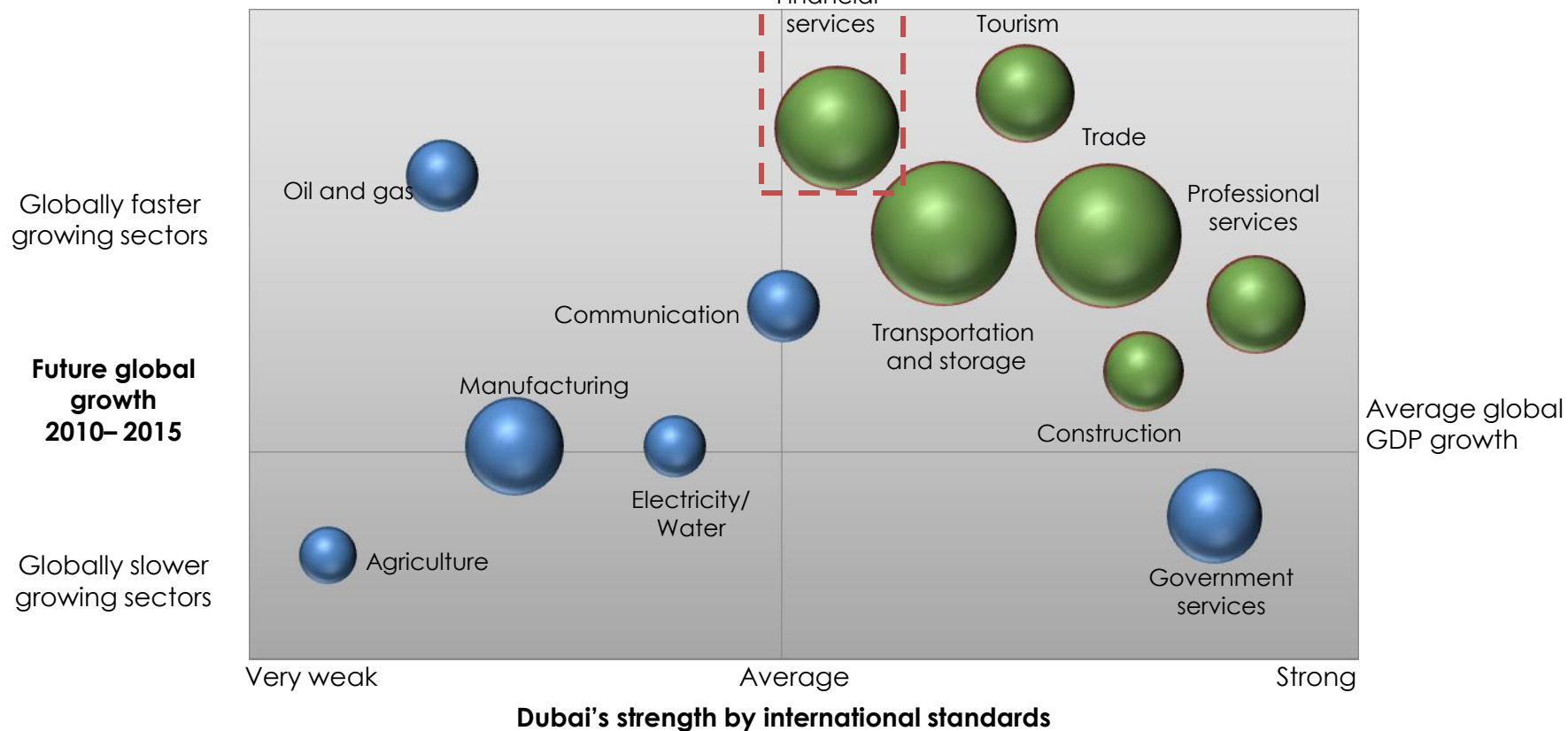
Strengths	Reasoning
Highly sophisticated financial centre	Dubai is ranked 7 th as per 'International Financial Centres Competitive Assessment Report', a competitive study of 15 key global and regional financial centres done by KPMG
Favorable business environment	Dubai has been rated very high in ease of doing business ranking 33 rd globally. -World Bank 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.
Solid tourism sector	Hotel occupancy rates remained high throughout 2010, benefitting both tourism and trade activities. - DSC, 2010 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

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 business in a region that is sitting in a fresh pile of cash thanks to high oil prices.

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

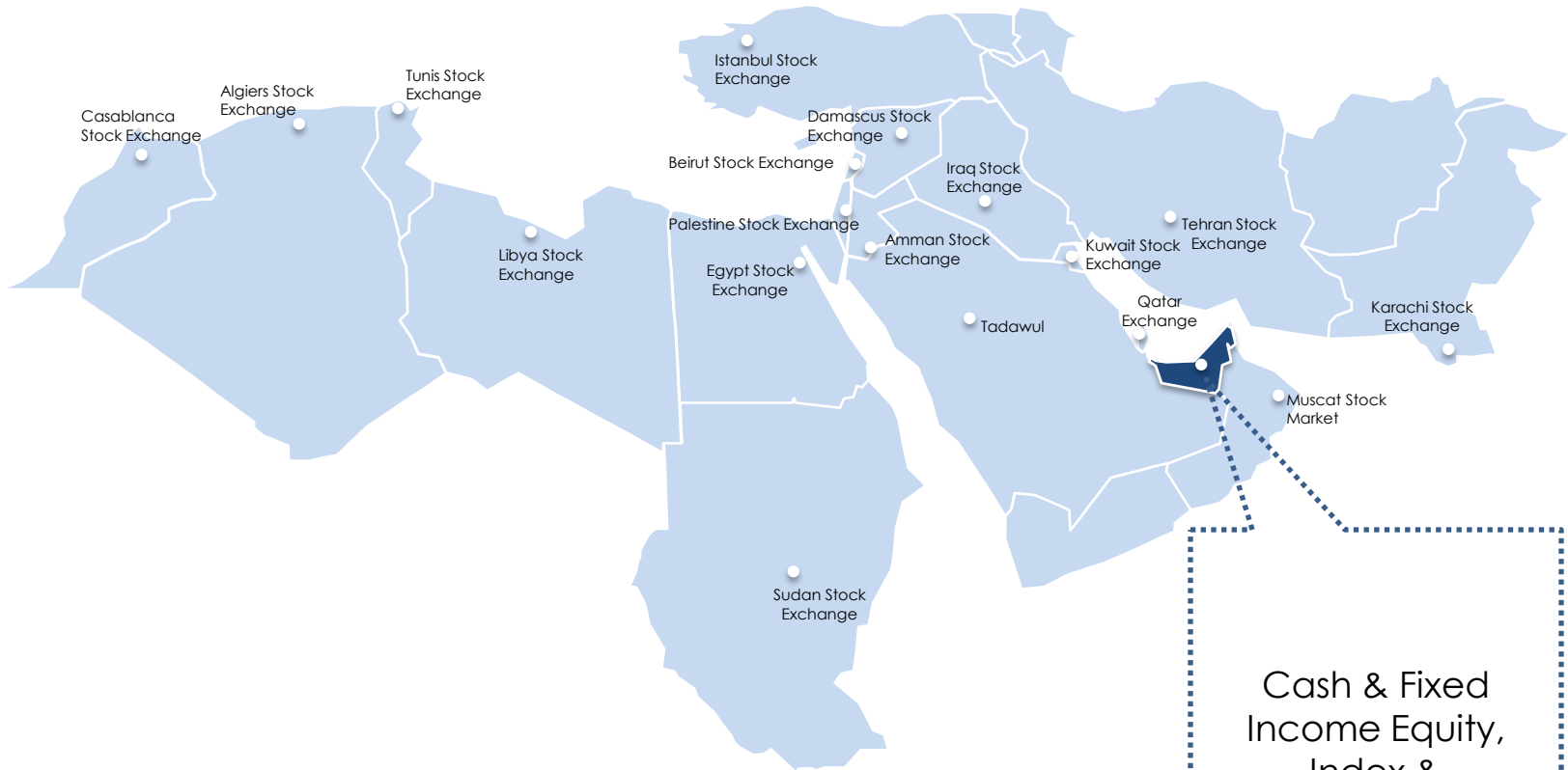


Sectors qualified
to be part of
future
growth path



CAPITAL MARKETS

UNITED ARAB EMIRATES

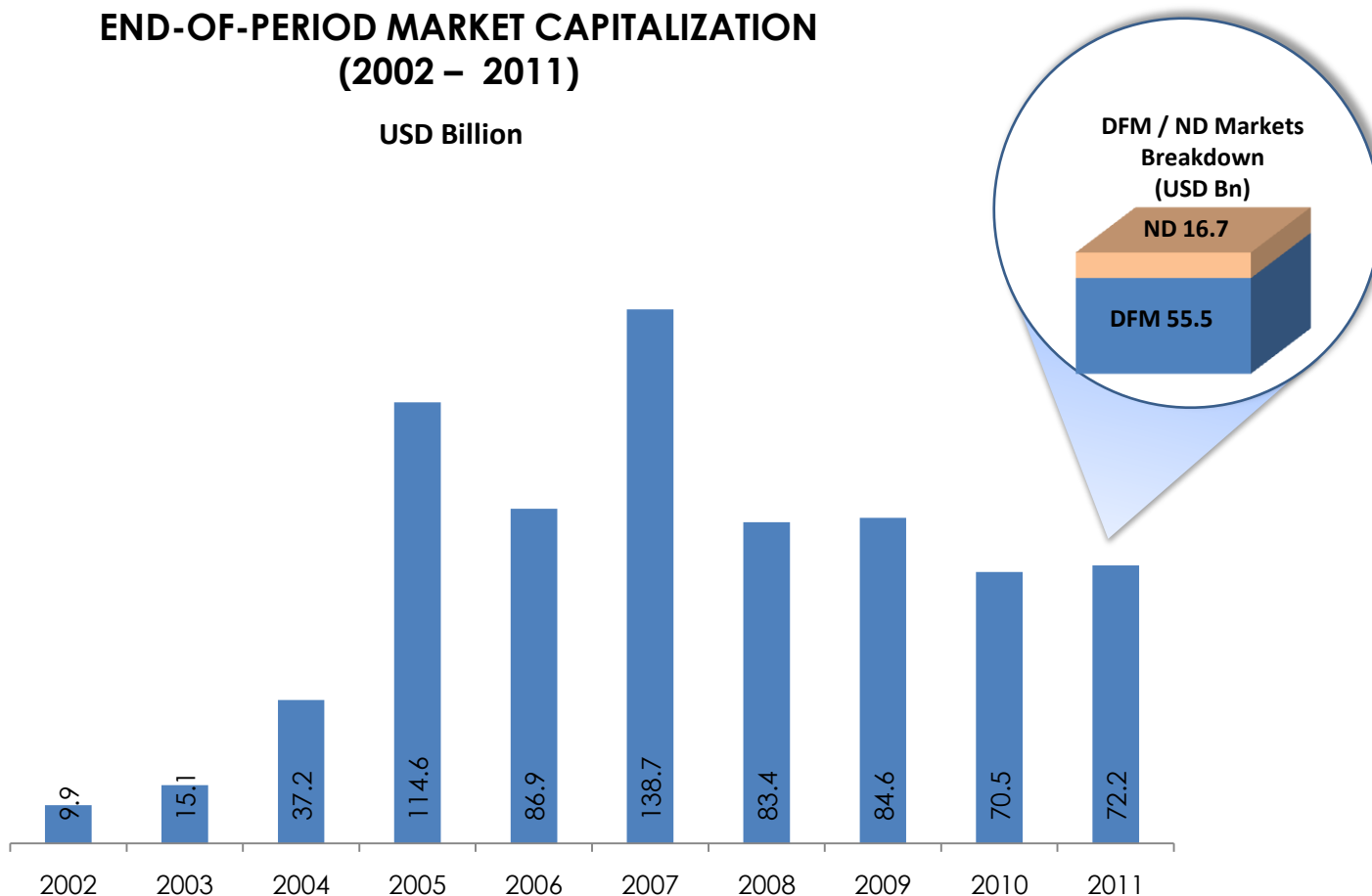


Only UAE offer a wide array of trade exchanges/products in the entire MENA region

Cash & Fixed
Income Equity,
Index &
Commodity
Futures

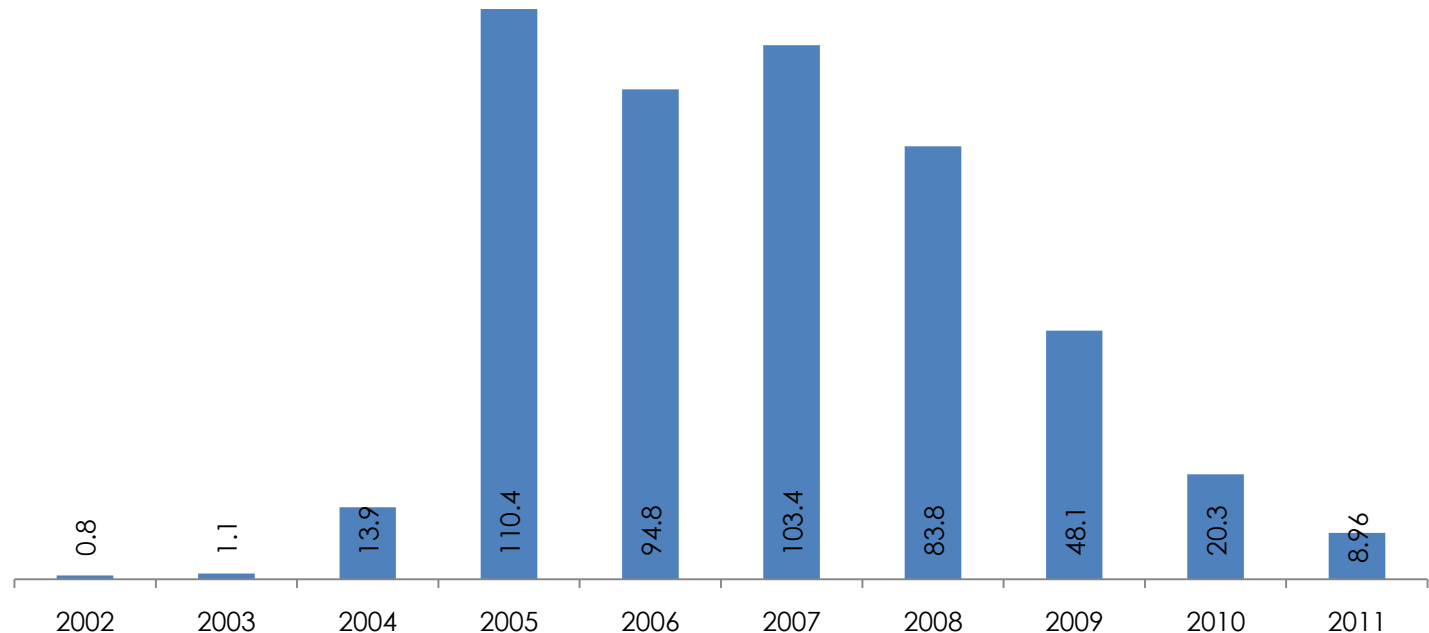
END-OF-PERIOD MARKET CAPITALIZATION (2002 – 2011)

USD Billion

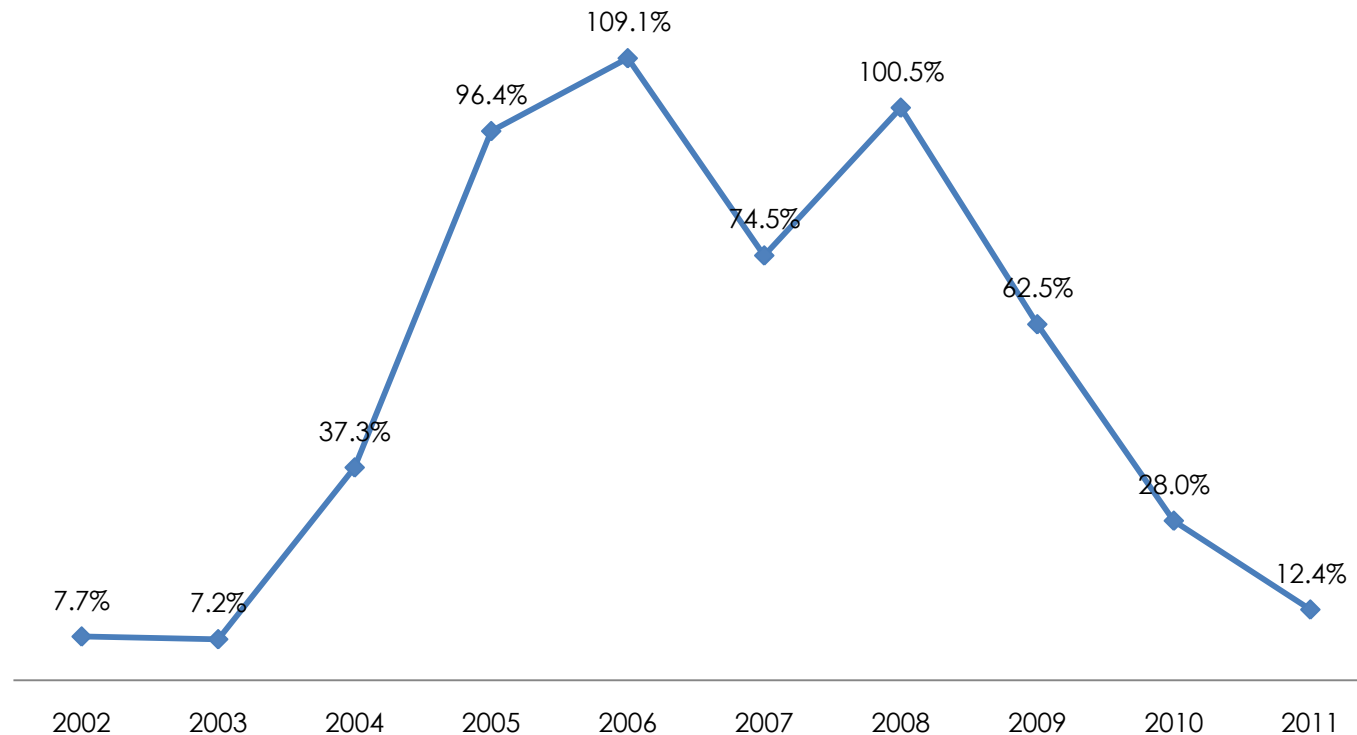


Thin trading is recorded across all GCC markets in 2011 with average drop of 50-55% in trade values as compared to 2010

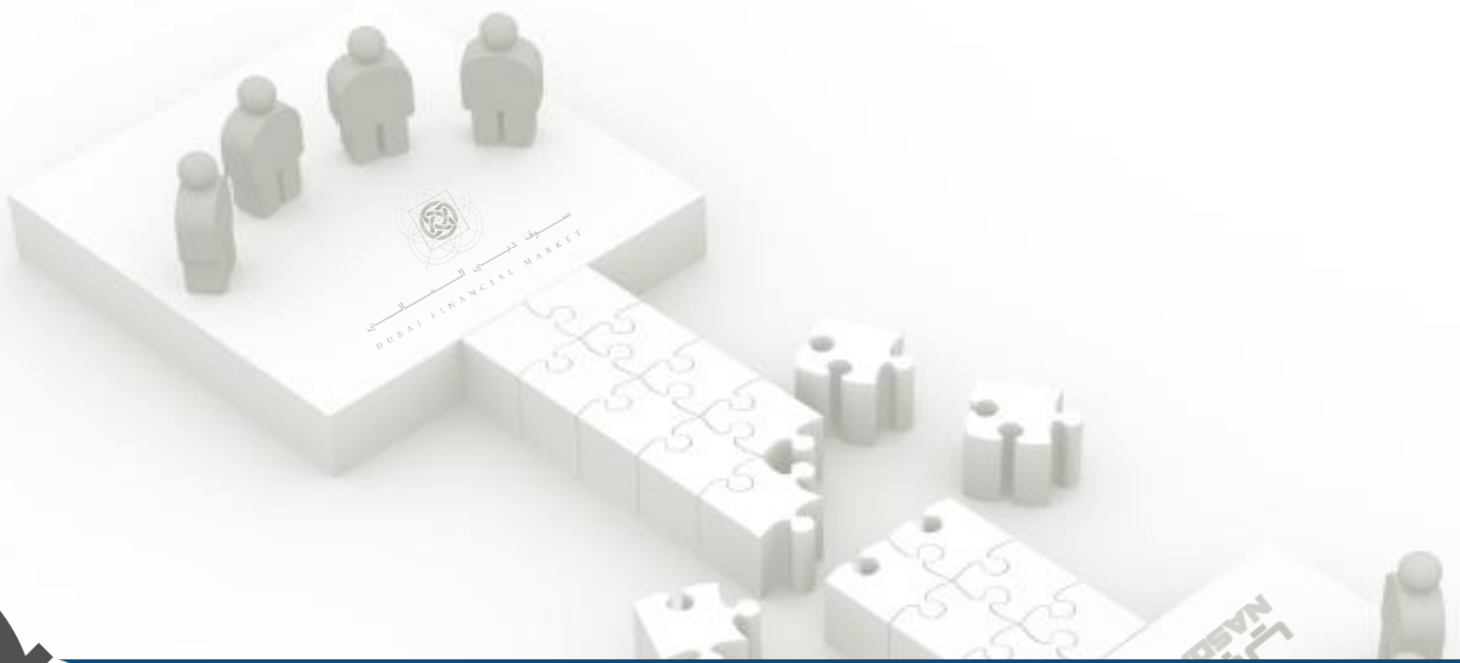
TRADED VALUE - DFM (2002 – 2011) USD Billions



VELOCITY (2002 – 2011)

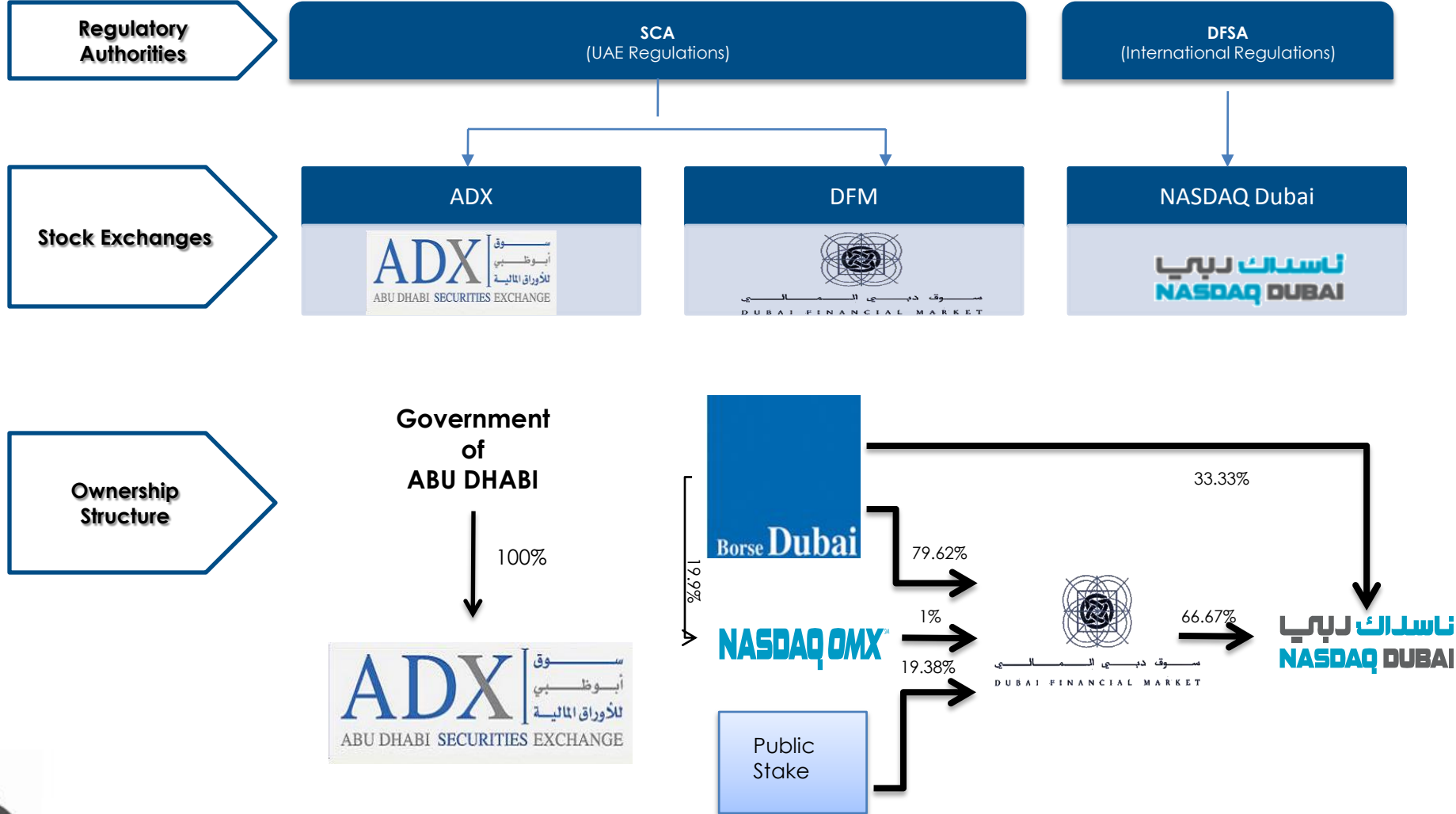


* Velocity = Annualized Trade Value / Average Market Capitalization



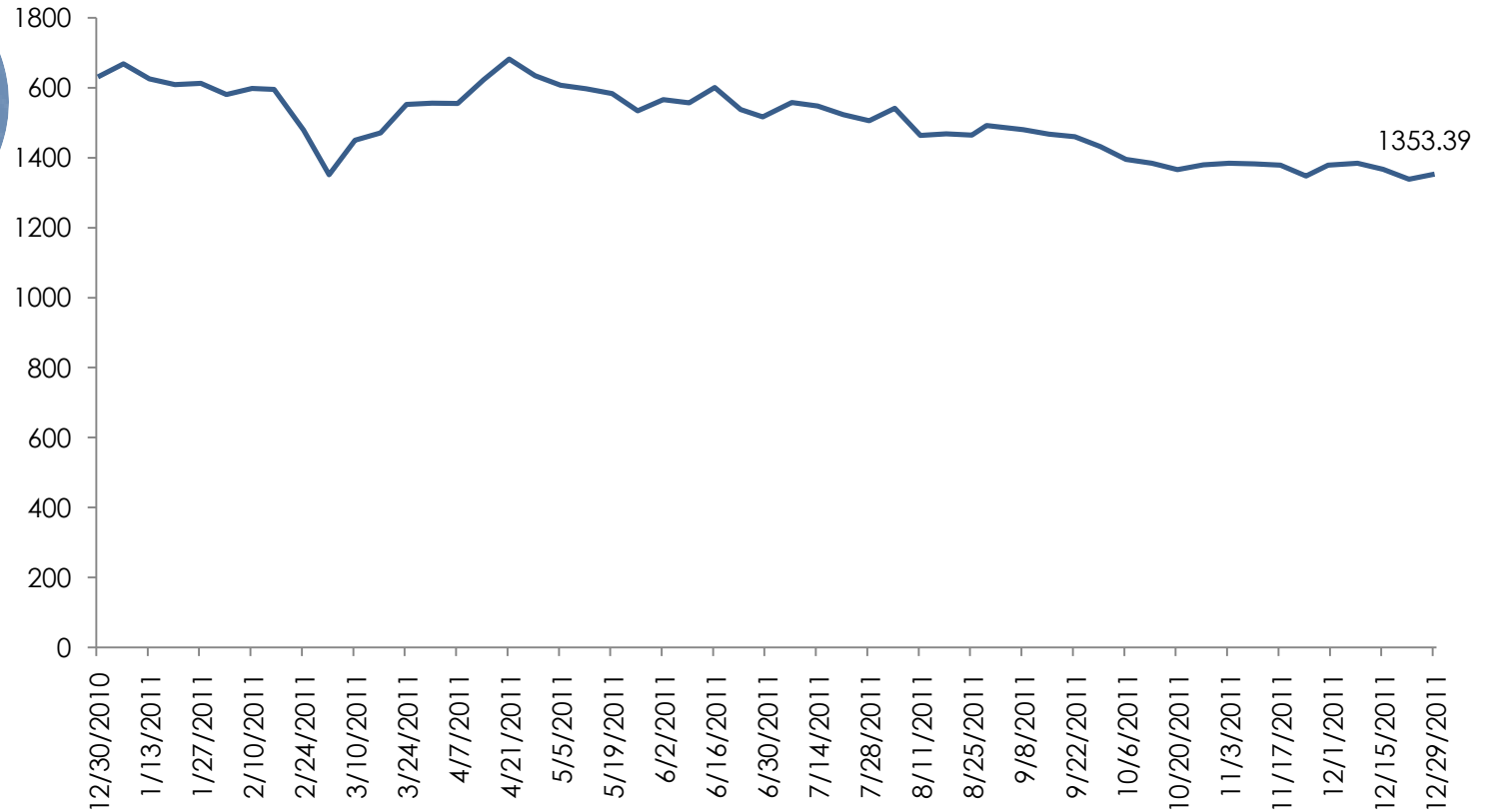
DFM / NASDAQ DUBAI

TWO EXCHANGES, ONE MARKET



Index
movement
remained
flat between
2010-2011

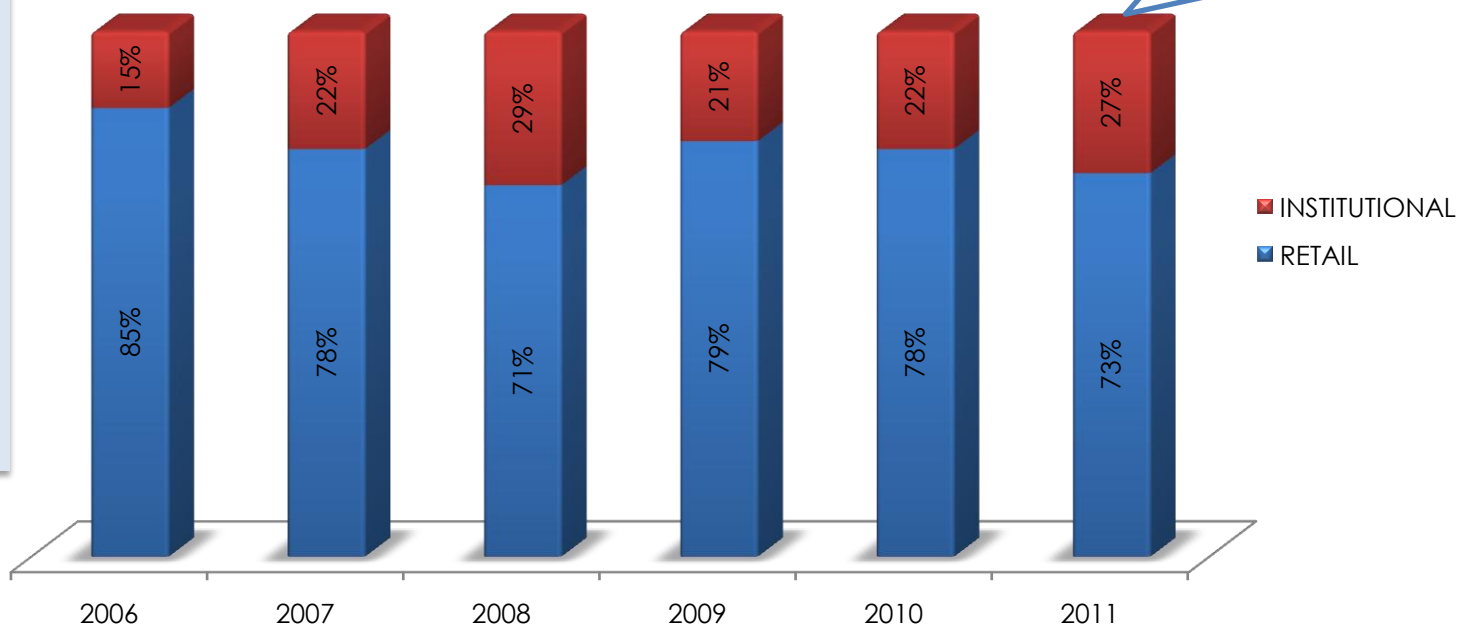
52 WEEKS INDEX PERFORMANCE



Trading Activity : Client type Mix

Growth movement is seen among institutional investors with 2011 recording 27% market share

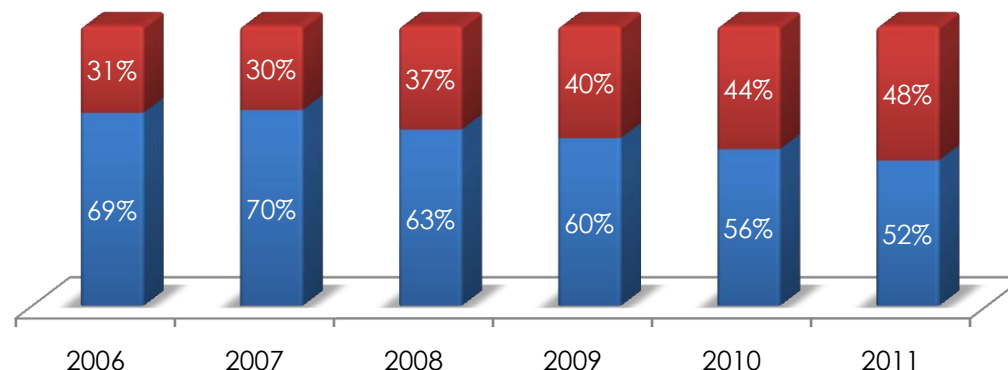
TRADING ACTIVITY BY CATEGORY



2011 – TRADING ACTIVITY PATTERN

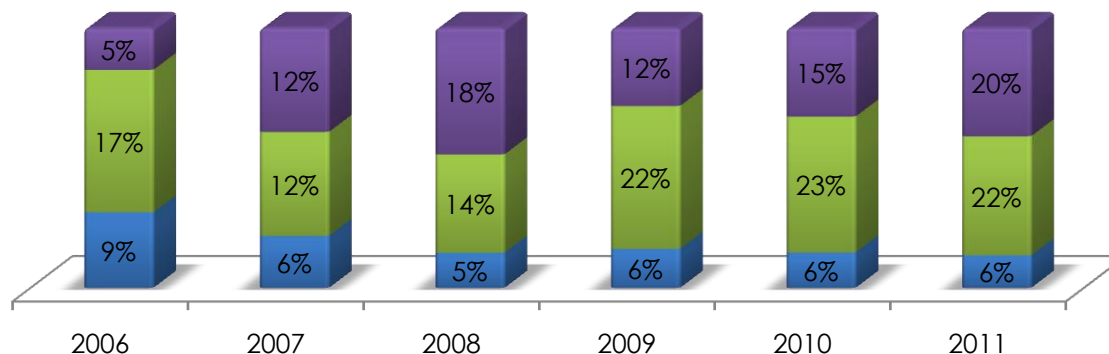


UAE VS. NON UAE TRADING ACTIVITY

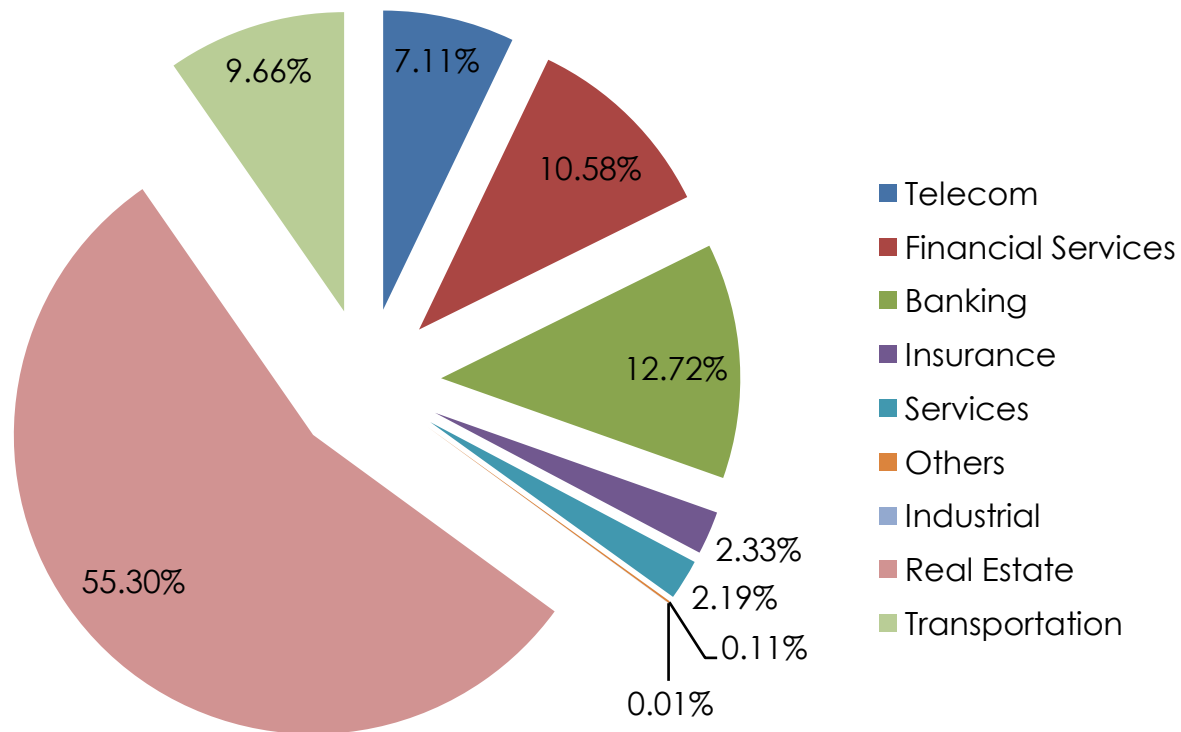


■ UAE ■ Non-UAE

NON UAE TRADING ACTIVITY



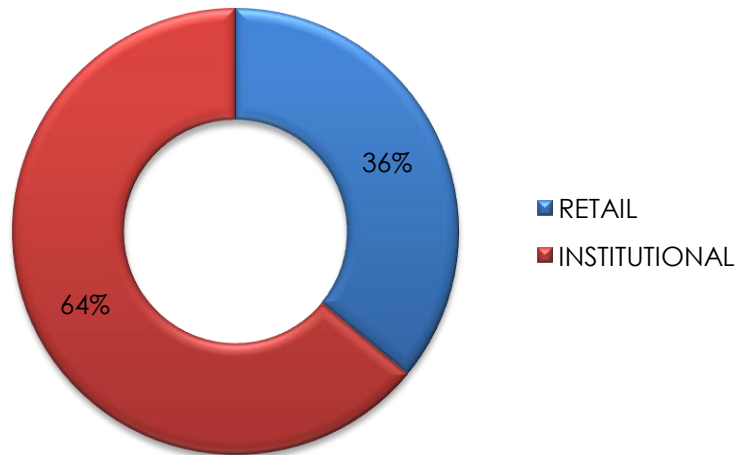
■ GCC ■ OTHER ARABS ■ OTHERS

Trade
Activity –
By Sector
2011

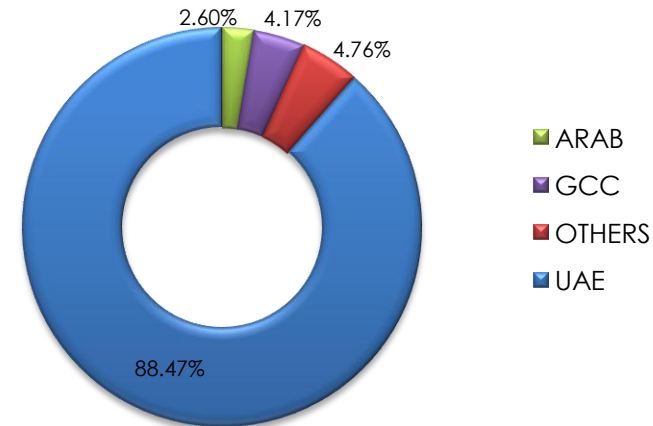
* Includes Materials / Utilities / Consumer Staples

Distribution
of Share
Ownership
2006 -2011

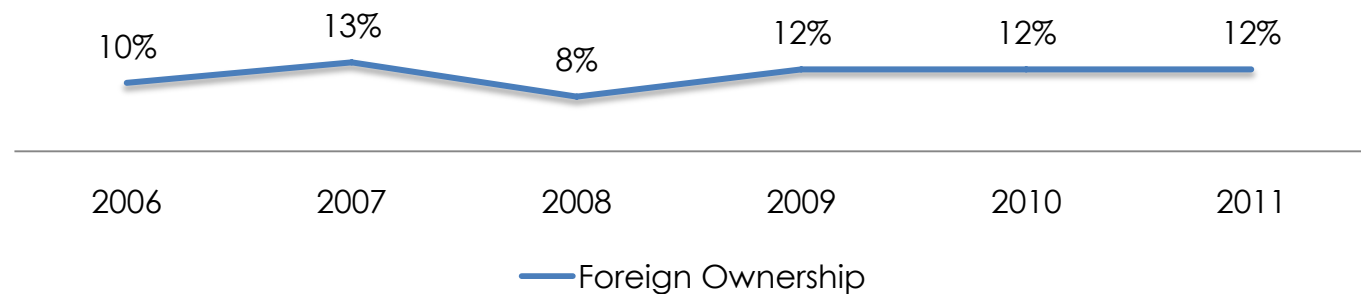
BY TYPE OF INVESTOR



BY NATIONALITY



FOREIGN OWNERSHIP AS % OF MARKET CAPITALIZATION

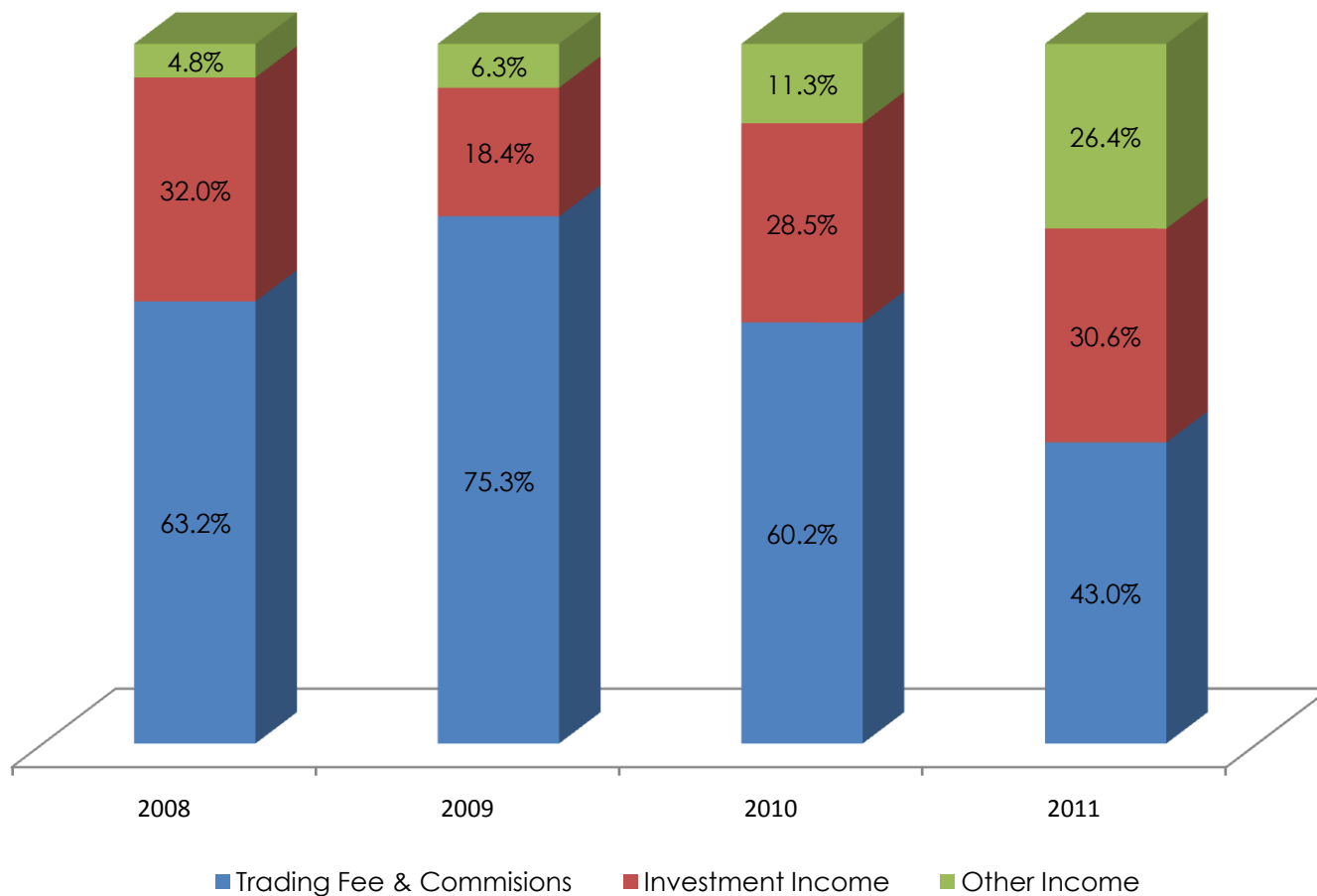


DFM Share Price Movement 2011



Revenue
Breakdown
2008-2010

DFM is actively moving towards revenue diversification with 2010 witnessing 40% revenue from diversified portfolio



- 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

- Getting upgraded 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
- IPO focus and listings

Key criteria's for Emerging market status

DFM is ready
and meets all
eligibility
criteria's for
MSCI
upgrade to
Emerging
market status

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 2011
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 71 Bn
ii) Security size (Float market cap)	USD 436 Mn	USD 17 Bn
iii) Security liquidity	15% ATVR	33.5%
C. MARKET ACCESSIBILITY CRITERIA		
C.1 Openness to foreign ownership	Significant	49% (Current Foreign Ownership – 12%)
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
May 2011

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.

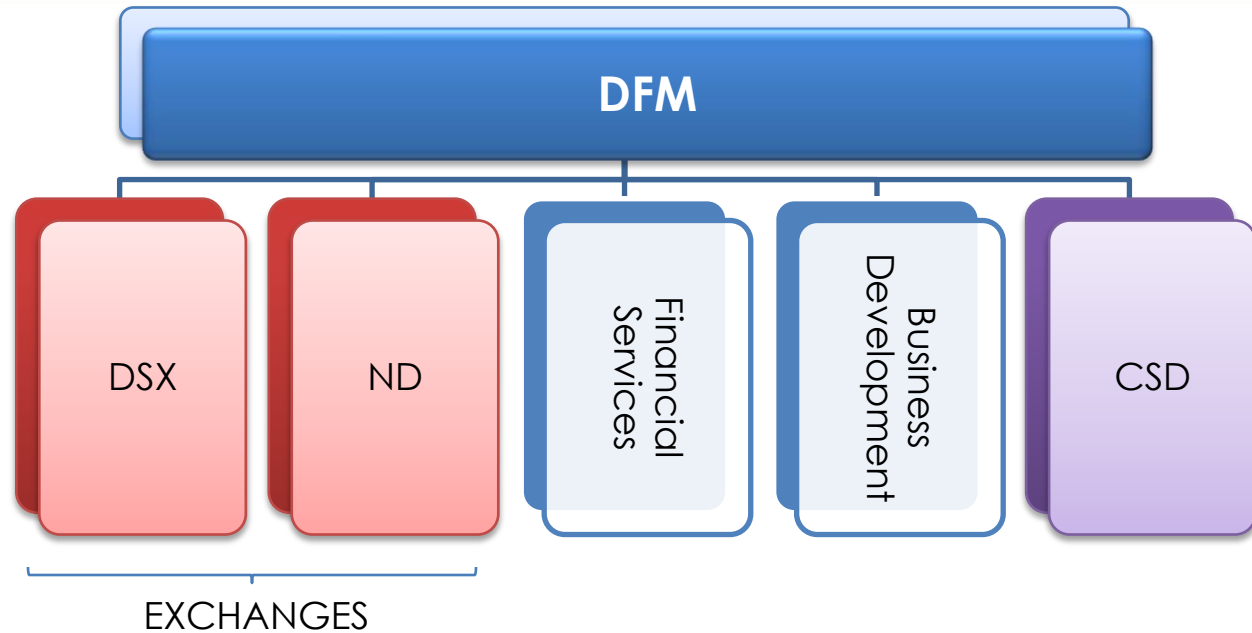
CHANGED

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].
5. 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 Advertising
- Online Subscription
- IPO initiatives

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

DFM has commissioned Independent Research Consultants for intensive IPO study

Tap into the IPO market and research over 500 companies in the UAE

Identify the top 100 companies in prime position of going public

Develop a targeted IPO marketing campaign in 2010-2011

- Rectifying inconsistencies in the IPO market
- Provide IPO outlook for DFM 's shareholders

The following initiatives have been taken so far:

- Publication of the 'Guide to going public'
- Event hosted by DFM for the launch of the "Guide to going public" for top financial & legal advisors
- IPO Market Study and meetings arranged with potential IPO candidates (E&Y)
- DFM hosted high profile IPO information workshop for private, semi-government and family owned businesses

The following initiatives are currently planned:

- Approach the Free Zones in the Northern Emirates
- Initiate talks with the DED & JAFZA
- Initiate talks via the Dubai Chamber of Commerce
- Nasdaq Dubai Initiative- Regional IPO Market Study and meetings to be arranged with potential IPO candidates.

STRATEGIC INITIATIVES

ROBUST ENVIRONMENT FOR FUTURE LISTINGS





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