

INVESTCORP

Additional Disclosures Required under Module PD of the Central Bank of Bahrain Rule book

For the six month period ended December 31, 2013

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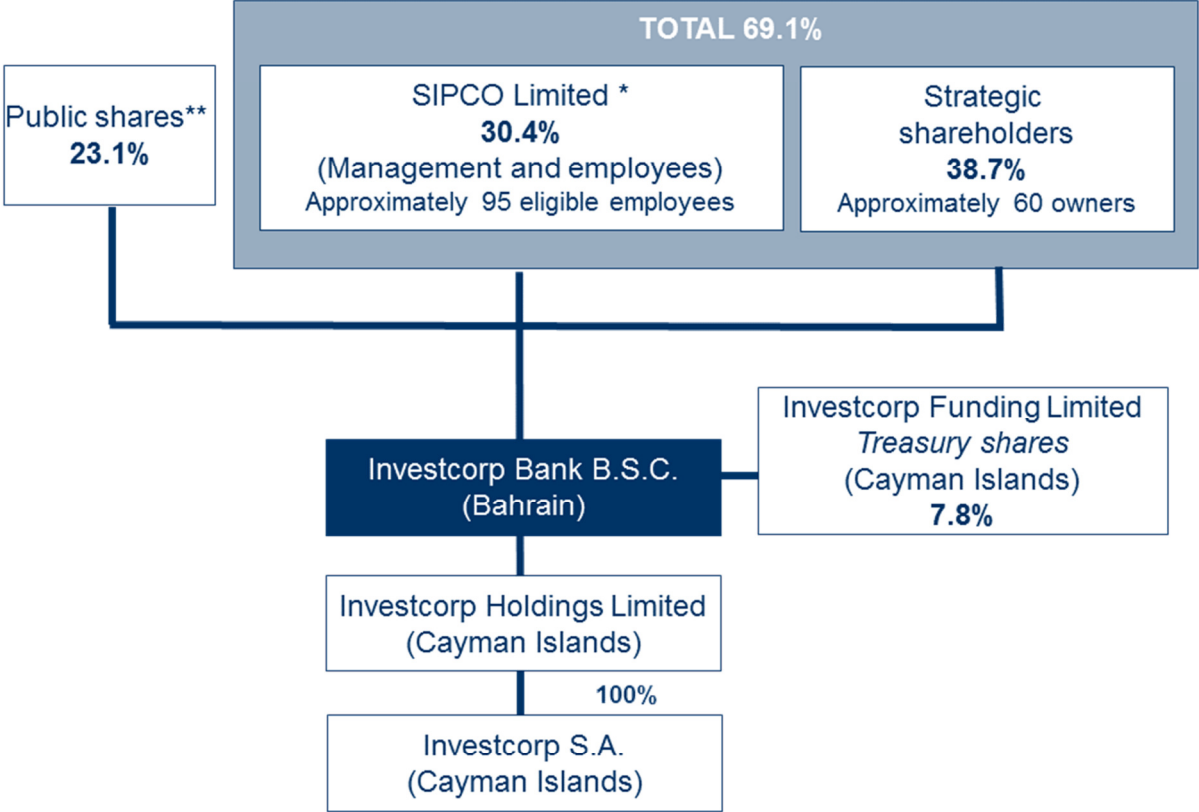
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Note: figures in this document may not reconcile due to rounding

OWNERSHIP STRUCTURE

Shareholder base

At December 31, 2013, Investcorp remains a management controlled company. As result of certain proxy arrangements and Investcorp’s ownership structure, a group of seven Investcorp Bank directors and senior executive officers controls the voting of [69.1]% of Investcorp’s ordinary shares. The public float of 23.1% is split between owners holding [22.8]% in ordinary shares on the Bahrain Bourse, and [0.3]% of beneficial ownership through unlisted GDRs.



*Includes 8.2% in shares that are held for future grant to management and 5.4% shares granted but not acquired under the Employee Share Ownership Plan. The Bank has approval from the Central Bank of Bahrain (“CBB”) to hold up to 40% of shares for the Employee Share Ownership Plan. On the balance sheet these shares are accounted for as the equivalent of treasury shares.

** Includes 0.3% beneficial ownership held in the form of unlisted Global Depositary Receipts (GDRs)

Share ownership

All of the information provided in this section is as of December 31, 2013.

The table below shows the distribution by nationality of the holders of the 22.8% of Investcorp Bank's Ordinary Shares that are held by public shareholders and traded on the Bahrain Bourse.

Nationality	Number of shares	Ownership %
American	8,404	1.1%
Bahamian	250	0.0%
Bahraini	42,920	5.4%
Belgium	100	0.0%
British	2,116	0.3%
Cayman	8,512	1.1%
Channel Islander	1,238	0.1%
Emarati	18,000	2.3%
French	207	0.0%
Greece	600	0.1%
Kuwaiti	18,589	2.3%
Lebanese	400	0.1%
Liechtenstein	162	0.0%
Omani	4,395	0.5%
Pakistani	100	0.0%
Qatari	14,750	1.8%
Saudi	58,927	7.4%
Spaniard	100	0.0%
Swaziland	1,000	0.1%
Swiss	640	0.1%
Virgin Islands, British	654	0.1%
Total	182,064	22.8%

The table below shows the distribution by nationality of the holders of Investcorp Bank's Preference Shares.

Nationality	Number of shares	Ownership %
Bahamas	54,517	13.1%
Bahraini	35,030	8.5%
British	3,131	0.8%
Canadian	1,000	0.2%
Cayman Islander (includes SIPCO Preferred Limited)	148,416	35.8%
Emarati	4,000	1.0%
French	1,000	0.2%
Germany	1,000	0.2%
Indian	950	0.2%
Jordanian	1,000	0.2%
Kuwaiti	118,057	28.5%
Lebanese	500	0.1%
New Zealand	150	0.0%
Omani	18,141	4.4%
Qatari	3,450	0.8%
Saudi Arabian	17,700	4.3%
Swiss	7,090	1.7%
Total	415,132	100.0%

The tables below show the distribution of ownership of Investcorp Bank's Ordinary Shares and Preference Shares by size of shareholding.

Ordinary shares	No. of shares	No. of shareholders	% of total
Less than 1%	176,034	293	22.0%
1% up to less than 5%	37,013	2	4.6%
5% up to less than 10%	62,369	1	7.8%
10% up to less than 20%	138,532	1	17.3%
More than 20%	386,052	1	48.3%
Total	800,000	298	100.0%

Preference shares	No. of shares	No. of shareholders	% of total
Less than 1%	61,356	51	14.8%
1% up to less than 5%	72,141	6	17.4%
5% up to less than 10%	-	-	-
10% up to less than 20%	281,635	4	67.8%
Total	415,132	61	100.0%

As disclosed in the Annual Report for Fiscal Year 2013, members of Investcorp's senior management (Investcorp's Managing Directors) own beneficial interests in Investcorp Bank's Ordinary Shares through ISOPs and, with the exception of Mr. Kirdar, no member of senior management owns any Ordinary Shares.

The table below shows the number of Ordinary Shares held by Directors including Mr. Kirdar. There was no trading in Ordinary Shares by Directors in H1 FY14.

Shareholder name	Number of shares
Abdul Aziz Jassim Kanoo	364
Abdul Rahman Ali Al-Turki	2,158
Abdullah M. Alireza	107
Abdulrahman Salem Al Ateeqi	147
Abdullah Mohammad Mazrui	229
Al Mazrui Holding (a)	1,000
Khalid Rashid Al Zayani	199
Al Zayani Investments W.L.L. (b)	2,282
Farooq Yusuf Khalil Almoayyed	334
Y KA Estates Corporation	405
Hussain Ibrahim Hasan Al-Fardan	107
Perlier Investment Company (c)	2,158
Mustafa Boodai*	107
Nemir Amin Kirdar	107
Total	9,704

(a) Holding company of Mr. Mazrui

(b) Holding company of Mr. Al Zayani

(c) Holding company of Mr. Al- Fardan

* Deceased during the period

In addition to the shares listed above, certain of the Directors own shares in holding companies that, in turn, hold indirect interests in an aggregate of 33,948 Ordinary Shares.

The table below shows the number of Preference Shares held by Directors and certain members of Investcorp's senior management after giving effect to the offer that was made by Investcorp during the period to purchase up to 100,000 of the Preference Shares, as a result of which it purchased 2,274 Preference Shares held by Mr. Nemir Kirdar. During the period, there was no other trading of Preference Shares by the Directors and the members of senior management who hold Preference Shares.

Shareholder name	Number of shares
Farouk Yusef Almoayyed	1,000
Abdul Aziz Jassim Kanoo	2,000
Mustafa Jassim Boodai	3,000
Eponia Stiftung (a)	1,000
Vanguard Investment Co Ltd (a)	1,000
Perlier Investment Company Ltd.(b)	2,000
Mohammed Bin Mahfood Al Ardhi	1,000
Nemir Amin Kirdar	2,726
Al Zayani Investments W.L.L. (c)	500
James Tanner	1,000
Stephanie Bess	100
Total	15,326
(a) Investment holding company of the late Mr. Boodai	
(b) Investment holding company of Mr. Al-Fardan	
(c) Holding company of Mr. Al Zayani	

As of December 31, 2013, the Board of Directors remuneration is nil. The remuneration in respect of financial year 2014 will be subject to the approval of the Executive Committee for Administrative Policy of the Board of Directors, which functions as a remuneration committee, the Board of Directors and ultimately the shareholders of Investcorp at Investcorp's annual Ordinary General Meeting of Shareholders..

REGULATORY CAPITAL

The table below summarizes the components of, and the total amounts of, Tier 1 and Tier 2 Capital in line with the rules set in interim condensed consolidated financial statements.

December 31, 2013 (\$m)		
	Tier 1	Tier 2
Tier 1 Capital Components		
Issued and fully paid up ordinary and preference shares*	442	-
Disclosed reserves		
Legal / statutory reserves	100	-
Share premium	122	-
Retained profit brought forward	205	-
Unrealized gross losses arising from fair valuing equity securities	(2)	-
Tier 1 Capital before PCD deductions	867	-
	Tier 1	Tier 2
Tier 2 Capital Components		
Total interim profits (reviewed by external auditors)	-	60
Asset revaluation reserve - Property, plant, and equipment (45% only)	-	2
Unrealized gains arising from fair valuing equities (45% only)	-	2
Tier 2 Capital before PCD deductions	-	64
Net Available Capital	867	64
Total Eligible Capital		931

* net off treasury shares

The table below summarizes the capital requirements for credit, market and operation risks.

December 31, 2013 (\$m)	Risk weighted exposure	Capital requirement
<u>Credit risk weighted exposure</u>		
Claims on banks	60	7
Claims on corporates	302	36
Underwritten investments	278	33
Co-investments (including hedge funds)	2,130	256
Other assets	55	7
<u>Off-balance sheet items</u>		
Commitments and contingent liabilities	35	4
Derivative financial instruments	47	6
Credit risk weighted exposure	2,907	349
Market risk weighted exposure	1	-
Operational risk weighted exposure	388	47
Total risk weighted exposure	3,296	395

RISK MANAGEMENT

Risk management is an integral part of the corporate decision-making process of Investcorp Bank and its consolidated subsidiaries (the “Investcorp Group” or the “Group”). The Financial and Risk Management Committee (“FRMC”), which oversees the Group’s risk management activities, and defines the Group’s risk profile and sets the appropriate risk appetite on an enterprise wide basis, is comprised of members of senior management drawn from all key areas of the Group.

The principal risks associated with the Group’s business, and the related exposures, are detailed below, in line with the methodology adopted for disclosures as at June 30, 2013.

Counterparty credit risk

The Group is exposed to counterparty credit risk on its short term funds, placements, fair value of derivatives, receivables, loans and advances, debt investments and guarantees. The Group manages counterparty credit risk by setting credit limits for all counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

The table below analyses the Group’s maximum counterparty credit risk exposures at the balance sheet date of December 31, 2013 without taking into account any credit enhancements.

December 31, 2013 (\$m)	Neither past due nor impaired (a)		Past due but not impaired (b)	Impaired* (c)	Provisions (d)	Maximum credit risk (a+b+c+d)	Average balance
	Credit risk rating						
	High	Standard					
Short-term funds	105	3	-	-	-	108	99
Placements with financial institutions and other liquid assets	192	5	-	-	-	197	434
Positive fair value of derivatives	35	25	-	-	-	60	71
Receivables	-	144	5	11	(11)	149	187
Advances	-	127	-	15	(15)	127	70
Co-investments - debt	-	50	-	-	-	50	52
Guarantees	-	4	-	-	-	4	29
Total	332	358	5	26	(26)	695	

* Fair value of collaterals relating to impaired exposures is nil

The aging analysis of the past due but not impaired financial assets is given in the table below.

December 31, 2013 (\$m)	
Up to 3 months	5
> 3 up to 6 months	-
> 6 months up to 1 year	-
Over 1 year	-
Total	5

The tables below show breakdown of provisions being carried against advances and receivables by geographical region and industry sector.

December 31, 2013 (\$m)	
Geographical Region	
North America	24
Europe	2
Total	26

December 31, 2013 (\$m)	
Industry Sector	
Banking and Finance	2
Distribution	2
Industrial services	1
Real estate	19
Technology and Telecom	2
Total	26

Funding liquidity risk

Funding liquidity risk is the risk that the Group will be unable to fund increases in assets and meet obligations when they fall due, without incurring unacceptable losses. To mitigate this risk, the Group implements a comprehensive liquidity risk management framework, which includes use of risk limits, monitoring systems and scenario analyses that are incorporated into a contingency funding plan.

The table below summarizes the maturity profile of the Group's assets and liabilities as at the balance sheet date based on expected realizations.

December 31, 2013 (\$m)	Up to 3 months	>3 months up to 1 year	Sub-Total up to 1 year	>1 year up to 5 years	>5 years up to 10 years	>10 years up to 20 years	Total
Assets							
Cash and short-term funds	108	-	108	-	-	-	108
Placement with financial institutions and other liquid assets	197	-	197	-	-	-	197
Positive fair value of derivatives	2	-	2	-	1	57	60
Receivables and prepayments	50	25	75	108	-	-	183
Advances	3	9	12	115	-	-	127
Underwritten investments	278	-	278	-	-	-	278
Co-investments							
Hedge funds	114	118	232	98	-	-	330
Corporate investment	15	102	117	768	-	-	885
Real estate investment	-	-	-	141	-	-	141
Premises, equipment and other assets	-	-	-	16	24	8	48
Total assets	767	254	1,021	1,246	25	65	2,357
Liabilities							
Deposits from financial institutions	11	3	14	11	-	-	25
Deposits from clients - short term	284	3	287	-	-	-	287
Negative fair value of derivatives	21	-	21	7	-	11	39
Payables and accrued expenses	31	22	53	19	-	-	72
Deposits from clients - medium term	-	-	-	89	-	-	89
Medium-term debt*	75	-	75	461	-	-	536
Long-term debt	-	-	-	-	-	373	373
Total liabilities	422	28	450	587	-	384	1,421
Net gap	345	226	571	659	25	(319)	
Cumulative liquidity gap	345	571	571	1,230	1,255	936	

* Does not take in to account the \$198 million undrawn revolvers.

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group relating to its financial liabilities and derivatives upon their respective earliest contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows (i.e. nominal plus interest) determined by using the forward yield curve for the relevant periods. However, the Group manages the inherent funding liquidity risk based on future cash flows discounted to present values.

December 31, 2013 (\$m)	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	>5 years up to 10 years	>10 years up to 20 years	Over 20 years	Total
Financial liabilities							
Deposits from financial institutions	12	3	13	-	-	-	28
Deposits from clients	284	3	89	-	-	-	376
Payables and accrued expenses	32	22	19	-	-	-	73
Medium-term debt	76	31	575	-	-	-	682
Long-term debt	8	8	66	82	519	-	683
	412	67	762	82	519	-	1,842
Derivatives							
Contracts settled on a gross basis:							
Contractual amounts payable	915	15	28	-	-	-	958
Contractual amounts receivable	(886)	(15)	(27)	-	-	-	(928)
Contracts settled on a net basis:							
Contractual amounts payable (receivable)	2	(9)	(23)	(13)	11	-	(32)
	31	(9)	(22)	(13)	11	-	(2)
Commitments							
Guarantees	3	31	39	10	-	-	83
	4	-	-	-	-	-	4
Total undiscounted financial liabilities	450	89	779	79	530	-	1,927

Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's policies and procedures and the broad geographical and industry spread of its activities limit its exposure to any concentration risk. Additionally management has established credit limits for geographic and counterparty exposures, which are monitored on a daily basis.

The table below shows the distribution of credit concentration exposures of debt-like investments, other credit-based assets and off-balance sheet guarantees by geographical region and industry sector as at the balance sheet date:

December 31, 2013 (\$m)	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure
Industry Sector			
Banking and Finance	460	-	460
Consumer products	55	-	55
Consumer services	22	-	22
Distribution	5	-	5
Industrial products	52	-	52
Real estate	78	4	82
Technology and Telecom	12	-	12
Others	7	-	7
Total	691	4	695

December 31, 2013 (\$m)	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure
Geographical Region			
North America	461	4	465
Europe	159	-	159
Middle East	71	-	71
Total	691	4	695

Market price risk

The principal market related risks to which the Group is exposed are foreign currency risk, interest rate risk and equity price risk associated with its co-investments in hedge funds, corporate investments and real estate investments, as well as on its debt financings. For the purpose of managing market price risks, the Group has established appropriate procedures and limits approved by the Board of Directors. In addition, for internal risk assessments, the Group uses a variety of internal models to analyze the market price risks that may arise from adverse market movements.

Market price risk as at the balance sheet date is detailed below under (a) foreign currency risk, (b) interest rate risk and (c) equity price risk.

(a) Foreign currency risk

The Group's significant net hedged and un-hedged foreign currency positions are set out below.

December 31, 2013 (\$m)		
Long (Short)	Net hedged exposure	Net unhedged exposure
Bahraini Dinar*	-	40
Saudi Riyal*	-	14
Euro	86	0
Pounds Sterling	18	(0)
Japanese Yen	(307)	(0)
	(203)	54

* Currency exchange rate currently pegged against the US Dollar.

The Group utilizes forward foreign exchange contracts and foreign exchange derivatives to manage its exposure to fluctuations in foreign exchange rates. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established exposure and Value at Risk (“VaR”) risk limits. The following table summarizes the 99% confidence level over a 1-day holding period VaR for the Group’s foreign currency exposures.

December 31, 2013 <i>(\$000s)</i>	
Average FX VaR	7
Year end FX VaR	6
Maximum FX VaR	34
Minimum FX VaR	1

(b) Interest rate risk

The following table depicts the sensitivity of the Group's net income to a 200 basis points possible change in interest rates, with all other variables held constant. The sensitivity is based on the floating rate financial assets and financial liabilities (including items hedged back to floating rate) held at the balance sheet date.

December 31, 2013 (\$m)	Sensitivity to net income for +200 basis points	Sensitivity to net income for -200 basis points
Currency		
Euro	(7)	1
Pounds Sterling	(1)	0
Japanese Yen	1	(0)
US Dollar	(11)	2
Others	(1)	0
Total	(19)	3

a) Figures in parenthesis above represent loss.

b) The downside case of -200bps impact is calculated with the assumption that the yield curve will not go below 0%

(c) Equity price risk

The Group's equity price risk arises primarily from its co-investments in hedge funds, corporate investment and real estate investment.

Co-investments in corporate investment and real estate investment

The table below summarizes the sensitivity of the Group's Corporate and Real Estate co-investments to changes in multiples/discount rates/quoted bid prices.

December 31, 2013 (\$m)	Factor	Change	Balance sheet exposure	Projected Balance sheet Exposure		Impact on Income	
				Increase	Decrease	Increase	Decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	710	783	638	73	(72)
	Revenue Multiples	+/- 0.5x	90	92	88	2	(2)
	Quoted bid price	+/- 1%	8	8	8	0	(0)
Real Estate co-investments	Capitalization Rate	+/- 1%	110	134	92	24	(18)

Co-investments in hedge funds

The Group manages the market price risk in its hedge fund portfolio through its market risk management framework that uses the "Value at Risk" (VaR) technique. VaR techniques produce estimates of the potential negative change in the market value of a portfolio over a specified time horizon at given confidence levels. The table below sets out the VaR, at a 99% confidence level and a one-month time horizon, for the Group's hedge funds gross exposure.

December 31, 2013 (\$m)	
Average VaR	17
Year end VaR	16
Maximum VaR	18
Minimum VaR	16