

INVESTCORP

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

For the six month period ended December 31, 2014

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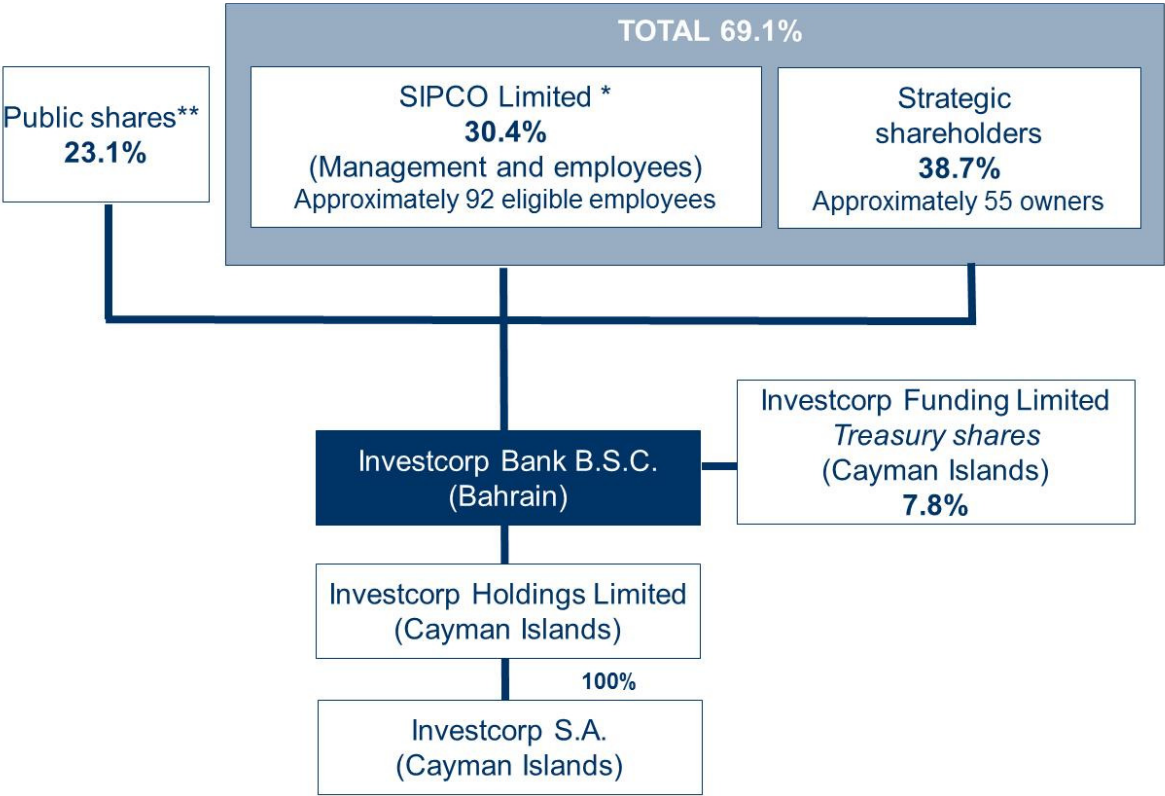
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Note: figures in this document may not reconcile due to rounding

OWNERSHIP STRUCTURE

Shareholder base

At December 31, 2014, Investcorp remains a management controlled company, with management, in concert with strategic shareholders, controlling 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 Global Depository Receipts (“GDRs”).



*Includes 9.9% in shares that are held for future grant to management and 1.8% 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 Depository Receipts (“GDRs”)

Share ownership

All of the information provided in this section is as of December 31, 2014.

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 through the Bahrain Bourse.

Nationality	Number of shares	Ownership %
American	8,404	1.1%
Bahamian	250	0.0%
Bahraini	37,920	4.7%
Belgium	100	0.0%
British	2,116	0.3%
Cayman	8,512	1.1%
Channel Islander	1,238	0.2%
Emirati	23,000	2.9%
French	207	0.0%
Greece	600	0.1%
Kuwaiti	18,589	2.3%
Lebanese	400	0.0%
Omani	4,395	0.5%
Pakistani	100	0.0%
Qatari	14,912	1.9%
Saudi	58,927	7.4%
Spanish	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	44,431	13.6%
Bahraini	28,917	9.0%
British	1,930	0.6%
Canadian	815	0.3%
Cayman Islander	111,750	34.4%
Emirati	4,075	1.3%
French	815	0.3%
Germany	815	0.3%
Indian	406	0.1%
Jordanian	656	0.2%
Kuwaiti	96,213	29.6%
Lebanese	407	0.1%
New Zealand	122	0.0%
Omani	14,784	4.6%
Qatari	2,811	0.9%
Saudi Arabian	10,349	3.2%
Swiss	4,963	1.5%
Total*	324,259	100%

* Excludes 3,667 preference shares which represent forfeited shares allocated to employees

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	290	22%
1% up to less than 5%	37,013	2	5%
5% up to less than 10%	62,369	1	8%
10% up to less than 20%	138,532	1	17%
More than 20%	386,052	1	48%
Total	800,000	295	100%

Preference shares	No. of shares	No. of shareholders	% of total
Less than 1%	36,734	46	11%
1% up to less than 5%	57,994	7	18%
5% up to less than 10%	-	-	-
10% up to less than 20%	229,531	4	71%
Total	324,259	57	100%

As disclosed in the Annual Report for Fiscal Year 2014, members of Investcorp's senior management (Investcorp's Managing Directors) own beneficial interests in Investcorp Bank's Ordinary Shares through Employee Share Ownership Programs 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 FY15.

Shareholder name	Number of shares
Abdul Aziz Jassim Kanoo	364
Abdul Rahman Ali Al-Turki	2,158
H.E. Abdul Rahman Salim Al Ateeqi	147
Abdullah M. Alireza	107
Abdullah Mohammed Mazrui	229
Mazrui Investments LLC (a)	1,000
Farouk Yousuf Khalil Almoayyed	334
Hussain Ibrahim Hasan Al-Fardan	107
Perlier Investment Company Ltd. (b)	2,158
Khalid Rashid Al Zayani	199
Al Zayani Investments W.L.L. (c)	2,282
Nemir Amin Kirdar	107
Y K A Estates Corporation	405
Total	9,597

(a) Holding company of Mr. Mazrui

(b) Holding company of Mr. Al- Fardan

(c) Holding company of Mr. Al Zayani

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 29,051 Ordinary Shares.

The table below shows the number of Preference Shares held by Directors and certain members of Investcorp's senior management at December 31, 2014, adjusted to reflect the Fiscal Year 2015 redemption of a portion of the Series of Preference Shares held by these Directors and members of senior management. There was no trading in the Preference Shares by Directors or members of senior management.

Shareholder name	Number of shares
Abdul Aziz Jassim Kanoo	1,630
Al Zayani Investments W.L.L. (a)	407
Farouk Yusef Almoayyed	815
Gulf Extrusions LLC (b)	2,445
H.E. Mohammed Bin Mahfoodh Al Ardhi	815
Nemir Amin Kirdar	2,221
Perlier Investment Company Ltd.(c)	1,630
James Tanner	815
Stephanie Bess	81
Total	10,859
(a) Holding company of Mr. Al Zayani	
(b) Holding company of Mr. Al Ghurair	
(c) Investment holding company of Mr. Al-Fardan	

As of December 31, 2014, the Board of Directors remuneration is nil. The remuneration in respect of Fiscal Year 2015 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.

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, 2014.

Counterparty credit risk

The Group is exposed to counterparty credit risk on its short term funds, placements, fair value of derivatives, receivables, 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, 2014 without taking into account any credit enhancements.

December 31, 2014 (\$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	1	73	-	-	-	74	95
Placements with financial institutions and other liquid assets	160	-	-	-	-	160	192
Positive fair value of derivatives	33	40	-	-	-	73	20
Receivables	-	163	7	11	(11)	170	147
Advances	-	120	-	14	(16)	118	60
Co-investments - debt	-	47	-	-	-	47	47
Guarantees	-	4	-	-	-	4	4
Total	194	447	7	25	(27)	646	

* High - there is a very high likelihood of the asset being recovered in full and collateral may be available

** Standard – whilst there is a high likelihood that the asset will be recovered and therefore, represents low risk to the Group, the asset may not be collateralized

*** 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, 2014 (\$m)	
Up to 3 months	6
> 3 up to 6 months	-
> 6 months up to 1 year	1
Over 1 year	-
Total	7

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

December 31, 2014 (\$m)	
Geographical Region	
North America	25
Europe	2
Total	27

December 31, 2014 (\$m)	
Industry Sector	
Banking and Finance	2
Distribution	2
Industrial services	2
Real estate	19
Technology and Telecom	2
Total	27

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, 2014 (\$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	74	-	74	-	-	-	74
Placement with financial institutions and other liquid assets	159	-	159	-	-	-	159
Positive fair value of derivatives	4	-	4	2	-	68	74
Receivables and prepayments	78	25	103	117	-	-	220
Advances	5	4	9	110	-	-	119
Underwritten investments	114	-	114	-	-	-	114
<u>Co-investments</u>	-	-	-	-	-	-	-
Hedge funds	296	93	389	50	-	-	439
Corporate investment	11	18	29	695	-	-	724
Real estate investment	-	-	-	133	-	-	133
Premises, equipment and other assets	-	-	-	15	20	8	43
Total assets	741	140	881	1,122	20	76	2,099
Liabilities							
Call accounts	32	-	32	94	-	-	126
Term and institutional borrowings	28	36	64	29	-	-	93
Payables and accrued expenses	128	17	145	13	-	-	158
Negative fair value of derivatives	26	1	27	5	-	10	42
Medium-term debt	-	-	-	403	-	-	403
Long-term debt	-	-	-	-	-	366	366
Deferred fees	7	20	27	65	-	-	92
Total liabilities	221	74	295	609	-	376	1,280
Net gap	520	66	586	513	20	(300)	
Cumulative liquidity gap*	520	586	586	1,099	1,119	819	

* Does not take in to account the \$525 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, 2014 (\$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	Total
Financial liabilities						
Call accounts	32	-	94	-	-	126
Term and institutional borrowings	28	36	29	-	-	93
Payables and accrued expenses	128	17	13	-	-	158
Medium-term debt	2	28	494	-	-	524
Long-term debt	7	7	59	74	451	598
Deferred fees	7	20	65	-	-	92
	204	108	754	74	451	1,591
Derivatives						
Contracts settled on a gross basis:						
Contractual amounts payable	802	14	172	-	-	988
Contractual amounts receivable	(766)	(12)	(170)	-	-	(948)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	3	(8)	(29)	(25)	(13)	(72)
	39	(6)	(27)	(25)	(13)	(32)
Commitments	2	27	27	-	-	56
Guarantees	-	-	-	4	-	4
Total undiscounted financial liabilities	245	129	754	53	438	1,619

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 and industry sector as at the balance sheet date:

December 31, 2014 (\$m)	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure
Industry Sector			
Banking and Finance	417	-	417
Consumer products	65	-	65
Consumer services	22	-	22
Distribution	5	-	5
Industrial products	57	-	57
Real estate	54	4	58
Technology and Telecom	18	-	18
Others	4	-	4
Total	642	4	646

December 31, 2014 (\$m)	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure
Geographical Region			
North America	416	4	420
Europe	138	-	138
Middle East	88	-	88
Total	642	4	646

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, 2014		
(\$m)		
Long (Short)	Net hedged exposure	Net unhedged exposure
Bahraini Dinar*	-	40
Saudi Riyal*	-	12
Euro	194	-
Pounds Sterling	25	-
Swiss Franc	(133)	-
Japanese Yen	(243)	-
	(157)	52

* 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 one day holding period VaR for the Group’s foreign currency exposures.

December 31, 2014 (\$000s)	
Average FX VaR	9
Year end FX VaR	4
Maximum FX VaR	29
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, 2014 (\$m)	Sensitivity to net income for -200 basis points	Sensitivity to net income for +200 basis points
Currency		
Euro	(0)	(6)
Pounds Sterling	0	(1)
Japanese Yen	(0)	1
US Dollar	2	(6)
Others	(0)	(1)
Total	2	(13)

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, 2014 (\$m)	Factor	Change	Balance sheet exposure	Projected Balance sheet Exposure		Impact on Income	
				Increase	Decrease	Increase	Decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	628	709	547	81	(81)
	Revenue Multiples	+/- 0.5x	12	14	11	1	(1)
	Quoted bid price	+/- 1%	5	5	5	0	(0)
RE co-investments	Capitalization Rate	+/- 1%	106	134	84	27	(22)

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, 2014 (\$m)	
Average VaR	16
Year end VaR	17
Maximum VaR	18
Minimum VaR	15