

Banks Ratings Navigator		
Navigator date:	01 Dec 2018	
Last rating action:	26 Oct 2018	
Sector Details:		
Bank sector:	Trading & Investment	
Region:	EM Middle East and Africa	
Country:	Bahrain	
Country IDR:	BB- Stable	
Last action:	01 Mar 18 Downgrade	
Country ceiling:	BBB-	
Macro prudential indicator:	1	
Bank systemic indicator:	bb	

Bank Rating History		
Viability Rating (VR)		
26 Oct 18	bb	Affirmed
31 Oct 17	bb	Affirmed
02 Nov 16	bb	Affirmed
Issuer Default Rating (IDR)		
26 Oct 18	BB Stable	Affirmed
31 Oct 17	BB Positive	Affirmed
02 Nov 16	BB Positive	Affirmed
Support Rating Floor (SRF)		
26 Oct 18	NF	Affirmed
31 Oct 17	NF	Affirmed
02 Nov 16	NF	Affirmed

Bar Chart Legend:	
Vertical bars = VR range of Rating Factor	
Bar Colors = Influence on final VR	
<span style="color: red;">█</span>	Higher Influence
<span style="color: blue;">█</span>	Moderate Influence
<span style="color: lightblue;">█</span>	Lower Influence
Bar Arrows = Rating Factor Outlook	
↑	Positive
↓	Negative
↕	Evolving
□	Stable

Peer Ratings bars = Count of banks	
1	EM Middle East and Africa Trading & Investment
1	Bahrain Trading & Investment

Relevant Criteria & References	
<a href="#">Bank Rating Criteria (Oct 2018)</a>	
<a href="#">Macro-Prudential Risk Monitor (Sep 2018)</a>	

Analysts	
<a href="#">Dafina Dunmore (+1 312 368-3136)</a>	
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Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Financial Profile			Viability Rating	Support Rating Floor	Issuer Default Rating
					Asset Quality	Earnings & Profitability	Capitalisation & Leverage			
aaa								aaa	AAA	AAA
aa+								aa+	AA+	AA+
aa								aa	AA	AA
aa-								aa-	AA-	AA-
a+								a+	A+	A+
a								a	A	A
a-								a-	A-	A-
bbb+								bbb+	BBB+	BBB+
bbb								bbb	BBB	BBB
bbb-								bbb-	BBB-	BBB-
bb+								bb+	BB+	BB+
bb								bb	BB	BB Stable
bb-								bb-	BB-	BB-
b+								b+	B+	B+
b								b	B	B
b-								b-	B-	B-
ccc+								ccc+	CCC+	CCC+
ccc								ccc	CCC	CCC
ccc-								ccc-	CCC-	CCC-
cc								cc	CC	CC
c								c	C	C
f								f	NF	D or RD

Support Rating Floor		Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)		BB- or B+		
Actual country D-SIB SRF		BB-		
Support Rating Floor:		NF		
Support Factors		Positive	Neutral	Negative
Sovereign ability to support system				
Size of banking system relative to economy				✓
Size of potential problem			✓	
Structure of banking system				✓
Liability structure of banking system	✓			
Sovereign financial flexibility (for rating level)				✓
Sovereign propensity to support system				
Resolution legislation with senior debt bail-in			✓	
Track record of banking sector support			✓	
Government statements of support			✓	
Sovereign propensity to support bank				
Systemic importance				✓
Liability structure of bank			✓	
Ownership	✓			
Specifics of bank failure			✓	
Policy banks				
Policy role				
Funding guarantees and legal status				
Government ownership				

Drivers & Sensitivities	
<b>Strong Client Franchise</b>	The ratings reflect Investcorp's strong client franchise and high degree of brand name recognition in the Gulf, supported by its investment track record and long-term relationships in the region. Strategic partnerships could further enhance its profile.
<b>Business Model Risks</b>	Fitch Ratings believes there is elevated balance sheet risk associated with Investcorp's business model, given sizable balance sheet co-investment concentrations and underwritten investments related to its origination and syndication strategy.
<b>Acquisition Boosts Recurring Fees</b>	The acquisition of the debt and CLO management business of 3i Group PLC in 2017 provides longer-term capital and increases earnings stability due to the recurring nature of management fees, although this is somewhat offset by the lower margins on the CLO business relative to private equity investments.
<b>Solid Operating Performance</b>	Investcorp maintained strong FEBITDA margins at 34% in fiscal 2018, which produced strong core operating performance. Still, activity fees earned from transactional activities make up a significant portion of fee-related earnings, which can be volatile.
<b>Adequate liquidity</b>	Investcorp's interest coverage of 1.8x for FY18 is weaker than Fitch-rated peers and within the agency's quantitative benchmark range for firms rated 'b and below'. Weaker coverage is somewhat offset by liquidity resources, which are more than sufficient to address near-term debt maturities.
<b>AUM Growth</b>	AUM growth that does not have a material impact on leverage or Investcorp's balance sheet and can be easily scaled via its existing infrastructure could result in positive rating actions. Conversely, material declines in AUM could result in negative rating actions.
<b>Enhanced AUM and Earnings Diversity</b>	An increase in AUM diversity, management fee contribution from committed capital fund structures and a decline in the proportionate contribution of activity fees would be viewed favorably.
<b>Higher Leverage</b>	A material increase in balance sheet co-investments not funded by equity, higher leverage or a weakened liquidity profile could result in negative rating actions.

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